



# IFC Financing to Micro, Small, and Medium Enterprises in Sub-Saharan Africa

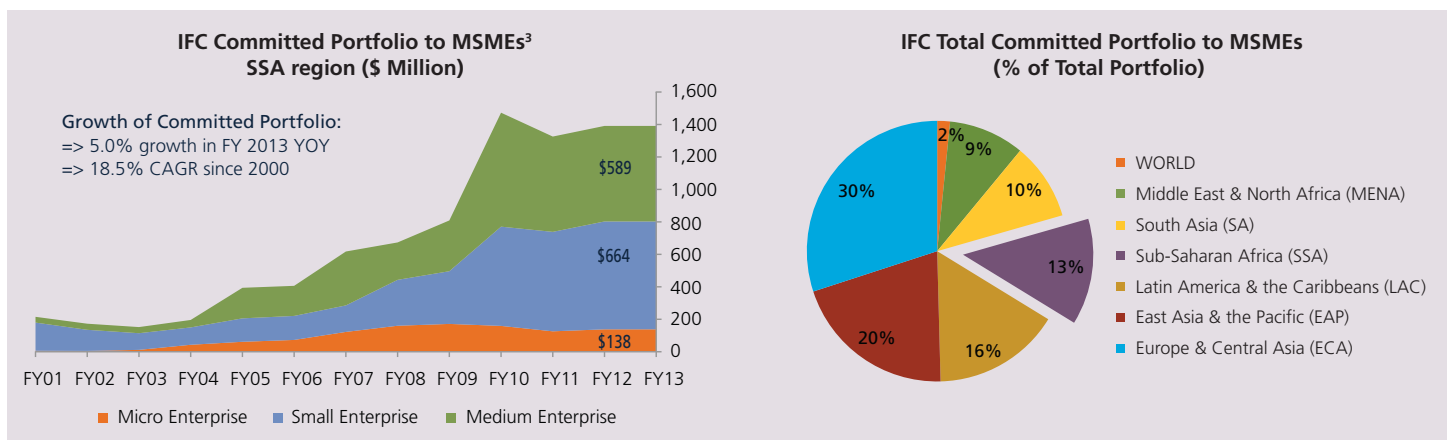
## Key Highlights

IFC is working to develop solutions to close the micro, small, and medium enterprise (MSME<sup>1</sup>) financing gap, collaborating with 54 financial institutions (FIs) across 20 countries in Sub-Saharan Africa (SSA) region.

As of June 2013, IFC committed a total of \$1.9 billion to MSME finance in SSA Region<sup>2</sup>, \$1.6 billion for long term finance (including \$0.2 billion for funds supporting MSMEs), and \$0.3 billion for trade finance. In fiscal year (FY) 2013 alone, IFC MSME commitments in the region were \$749 million (down 25 percent from \$1 billion), \$336 million of which was attributed to long-term financing.

By the end of calendar year (CY) 2012 IFC's microfinance institution (MFI) clients had 361 thousand micro loans outstanding in SSA region (up 11 percent from 326 thousand in 2011), totaling \$288 million (up 36 percent from \$212 million in CY2011). Similarly, IFC's SME financial institution (SME FI) clients had over 86 thousand small and medium loans outstanding by the end of CY2012 (up from 48 thousand in CY2011), totaling \$6.4 billion in this region (up 35 percent from \$4.7 billion in CY2011).

### MSME Financial Intermediary Portfolio, FY2013 (as of June 2013)



### MSME Loans by Type of IFC Clients in SSA Region, CY2012

#### MSME Loans by Microfinance Institutions

IFC was able to survey or extrapolate outreach data from 24 clients - microfinance institutions (MFIs) in 13 countries, 33 percent of these clients received advisory services from IFC.

	Number of Loans Outstanding	Outstanding Loan Portfolio in '000\$	Average Loan Size	NPL % <sup>4</sup>
Micro Loans	361,445	288,005,373	797	2%
Small Loans	11,947	180,912,036	15,143	2%
Medium Loans	4,166	448,598,344	107,681	4%

#### MSME Loans by SME Financial Institutions

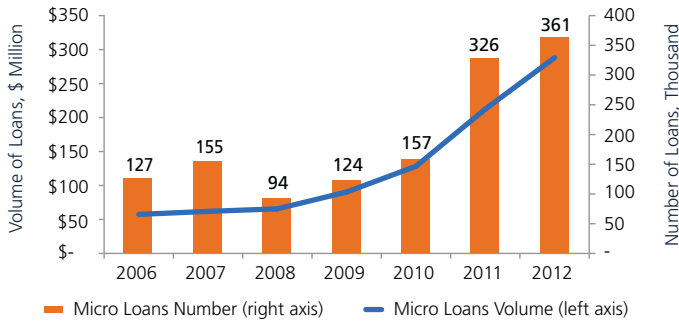
IFC was able to survey or extrapolate outreach data from 30 clients - small and medium enterprises (SME) FIs in 16 countries, 47 percent of these clients received advisory services from IFC.

	Number of Loans Outstanding	Outstanding Loan Portfolio '000 in \$	Average Loan Size	NPL % <sup>4</sup>
Micro Loans	336,244	333,977,361	993	11%
Small Loans	43,183	1,372,132,329	31,775	10%
Medium Loans	42,564	5,006,613,943	117,626	6%

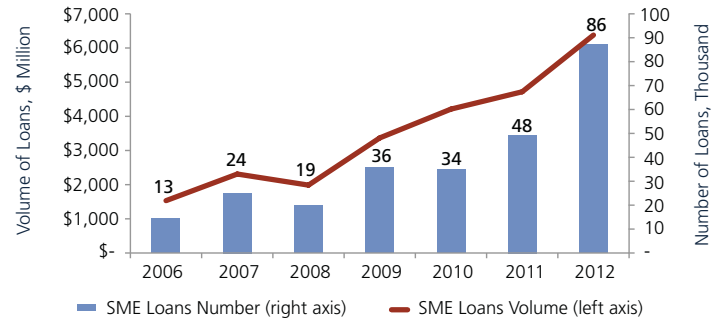
1. MSME Firm Size Definitions: IFC's Financial Institutions Group categorizes its clients' sub-borrowers according to the following definitions: (1) microfinance institution if loan < \$10,000 at origination; (2) small enterprises if loan < \$100,000 at origination; (3) medium enterprise if loan < \$1 million at origination (\$2 million for more advanced countries).  
 2. The share of committed loans to microfinance institutions in MSME committed portfolio increased from 9.5 percent in FY2012 to 9.9 percent in FY2013; small enterprises accounted for 47.8 percent in FY 2013 (46.2 percent in FY2012); medium enterprises accounted for 42.3 percent in FY2013 (44.3 percent in FY2012).  
 3. The committed portfolio in MSME FIs below does not include commitments for commercial banking trade finance and collective investment vehicles.  
 4. Nonperforming Loan (NPL) = > 90 days past due loans.

## Growth Trends of Loan Volume by Type of Institution in SSA Region, CY2006-CY2012

### Volume and Number of Micro Loans by MFIs



### Volume and Number of SME Loans by SME FIs

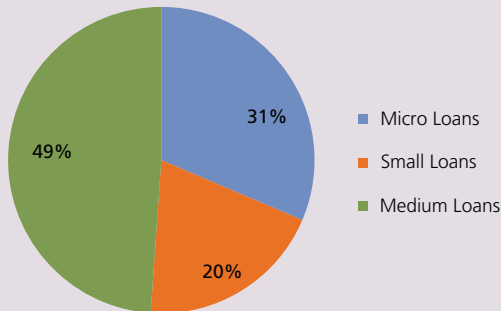


A smooth growth in volume of micro loans provided by microfinance institutions was observed over the last several years. The expansion of MFI portfolio by 36 percent in CY2012 was attributed to 4 new clients in Kenya, Zambia, Cote D'Ivoire and South Africa, which expanded the IFC portfolio by \$10 million; another \$70 million came from growth of existing clients' loan portfolio.

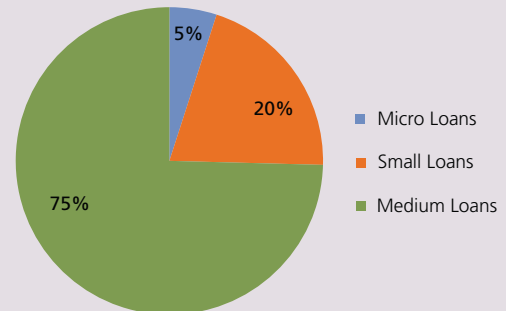
The portfolio of SME loans provided by SME clients demonstrated upward sloping dynamics over the last years. Portfolio growth by 35 percent in CY2012 since CY2011 was driven by adding 7 new clients in Mali, Kenya, Uganda, Tanzania, Ghana, Rwanda and Burundi, which jointly added \$570 million to the SME loans portfolio. Also, the scaling up of existing clients further boosted the growth of the SME portfolio.

## MSME Portfolio Composition by Loan Category in SSA Region, CY2012

### MFI Portfolio



### SME FI Portfolio



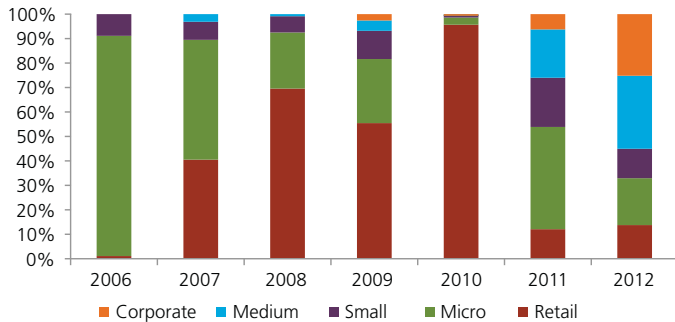
MFI	Micro Loans	Small Loans	Medium Loans
2006	91%	9.0%	0.0%
2007	82.3%	12.4%	5.2%
2008	75.3%	21.9%	2.8%
2009	62.4%	27.5%	10.1%
2010	69.3%	25.0%	5.7%
2011	51.2%	24.6%	24.2%
2012	31.4%	19.7%	48.9%

SME	Micro Loans	Small Loans	Medium Loans
2006	2.4%	33.7%	63.9%
2007	2.2%	24.7%	73.1%
2008	1.7%	17.7%	80.5%
2009	4.7%	21.7%	73.6%
2010	3.7%	15.7%	80.6%
2011	1.8%	17.7%	80.5%
2012	5.0%	20.4%	74.6%

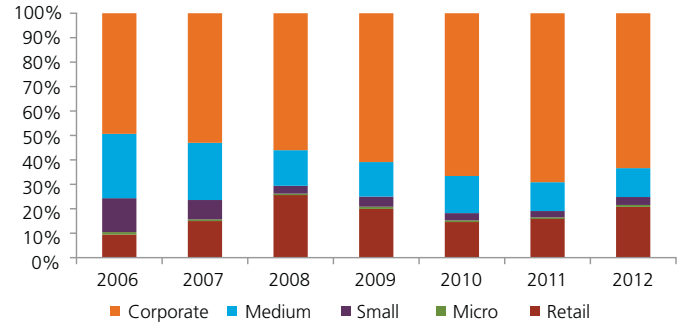


## Total Portfolio Composition by Loan Category in SSA Region, CY2012

### MFI Portfolio Composition: Volume of Loans



### SME FI Portfolio Composition: Volume of Loans

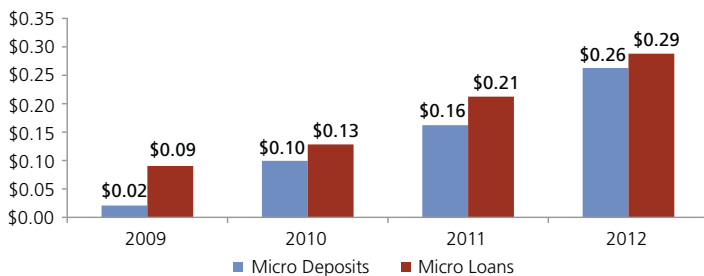


## Change in Deposits Volume CY2010-CY2012<sup>5</sup>

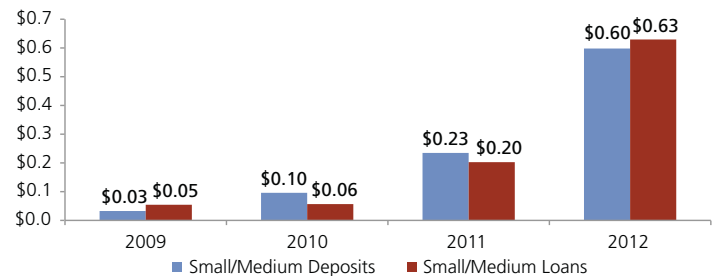
The portfolio of deposits held by MFIs demonstrated gradual growth over the last several years with significant improvement of small and medium deposits portfolio in CY2012, which grew 2.5 times since CY2011. This was mainly driven by adding the new large client in Tanzania with \$50 million of micro and \$261 million of small and medium deposit portfolio. The rapid growth of deposits received by SME FIs was observed over the last several years as well, with especially dramatic change in CY2011, when micro, small and medium deposits increased 5 times over one year. This growth was

mainly attributed to the two new clients in Nigeria and the new cross-country project, which jointly accounted for 66 percent of micro, small and medium deposits volume in CY2011 in the region. Further growth of this portfolio in CY2012 was mainly attributed to the significant scaling up of the two Nigerian clients and cross-regional project, mentioned above, which jointly accounted for 63 percent of micro, small and medium deposits volume held by SME FIs in CY2012.

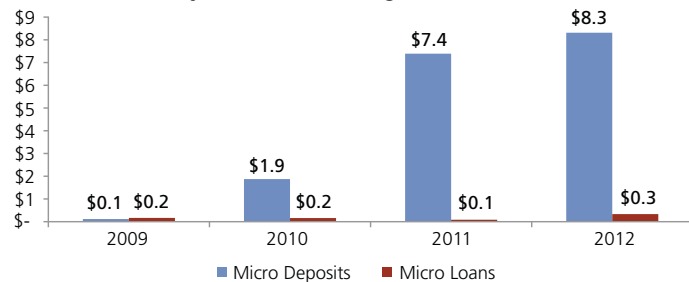
### Volume of Micro Loans and Deposits by MFIs in SSA Region (\$ Billion)



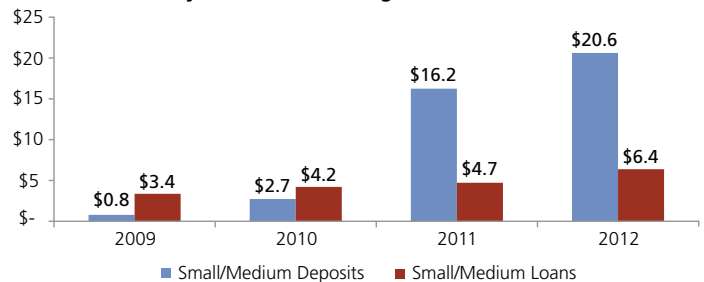
### Volume of Small/Medium Loans and Deposits by MFIs in SSA Region (\$ Billion)



### Volume of Micro Loans and Deposits by SME FIs in SSA Region (\$ Billion)



### Volume of Small/Medium Loans and Deposits by SME FIs in SSA Region (\$ Billion)

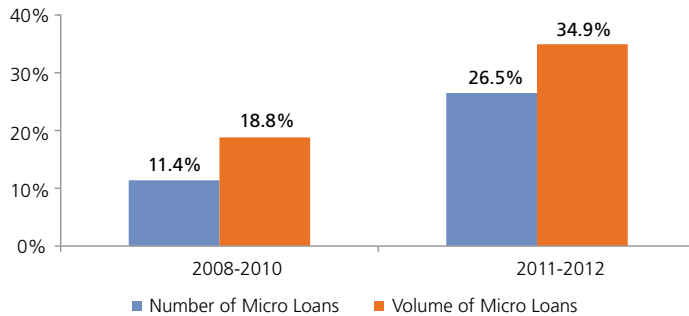


5. The deposits data includes retail, MSME and other commercial portfolio deposits. Micro and Small/Medium deposits classifications were done in accordance with definition of relevant loan size noted in footnote 1.

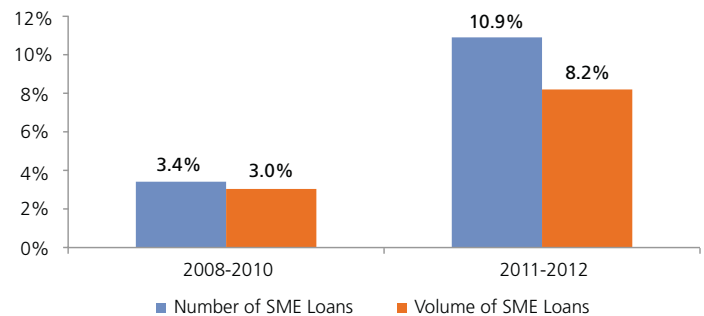


## Trend Analysis of Compounded Annual Growth Rate (CAGR)<sup>6</sup>

CAGR Trend – Micro Loans by MFIs in SSA Region



CAGR Trend – SME Loans by SME FIs in SSA Region



### Client Highlight: MicroCred, Senegal

#### Objective and Client Need:

MSMEs represent 90 percent of Senegalese enterprises, contribute 33 percent of the country's gross domestic product and employ 42 percent of its population. Wealth, job creation and economic diversification are among the many benefits that result from enhancing the capacity of MSMEs and improving their access to finance.

MicroCred Senegal (MCS) is the first commercial microfinance institution established in Senegal and is sponsored by MicroCred Holding ("MC Holding"). MCS started operations in September of 2007 and is focused on serving MSMEs essentially in urban and semi-urban areas providing micro and SME loans, savings accounts, money transfer services and remittances. MCS's clientele is essentially comprised of small market traders, mainly women.

MC Holding is an investment company that provides seed capital and consulting services to a network of six greenfield microfinance institutions in Sub-Saharan Africa (Côte d'Ivoire, Madagascar, Nigeria and Senegal) and Asia (Nanchong and Sichuan, China). Besides IFC, other shareholders of MCS include a commercial bank (BOA Senegal), a local insurance company (Sonam), Triple Jump, and the Norwegian Microfinance Initiative (NMI).

#### IFC's role:

IFC has made a total equity investment of US \$1.6 million for 15.4 percent shareholding in MCS. IFC also disbursed a local currency loan of XOF 2 billion (US \$3.7 million) in June, 2011 to

support the Company's expansion plan to grow beyond the city of Dakar. IFC delivered advisory services funding of US \$1 million to provide management and capacity building services to MCS over its pre-operational phase and first three years of operation. IFC is also in the process of providing technical assistance and additional grant funding to accelerate MCS growth. Moreover IFC is a founding investor in MC Holding with a 6.5 percent ownership stake.

#### Development Impact:

The project has a potential to have a development impact in Senegal considering that microfinance has been shown to play a major role in poverty and unemployment reduction.

In a little over six years, MCS has become the fourth largest MFI in the country and has had a strong demonstration effect by showing that serving MFIs can be commercially viable.

As of October 2013, MCS had over 95,000 clients and 27,705 active borrowers with a gross loan portfolio of US \$51.1 million and a total deposits balance of US \$30.2 million. MCS has almost reached nationwide coverage with 26 branches and sub-branches distributed in eight regions.

The arrival of MCS has introduced new standards and principles in the Senegalese microfinance sector. MCS meets MSMEs directly in their workplace, mostly located in the major markets to explain its products and services. In addition, MCS's loan application process is shorter than other players thanks to MCS's efficient methodology and trained staff, enabling clients to get their loans and start their business activity more quickly.

6. Compounded annual growth rate (CAGR) from ten reporting and repeated clients in the CY2008-CY2010 period, sixteen reporting and repeated clients in the CY2011-CY2012 period, excluding greenfield institutions and FIs that are closing their operations.