



**International
Finance Corporation**
World Bank Group

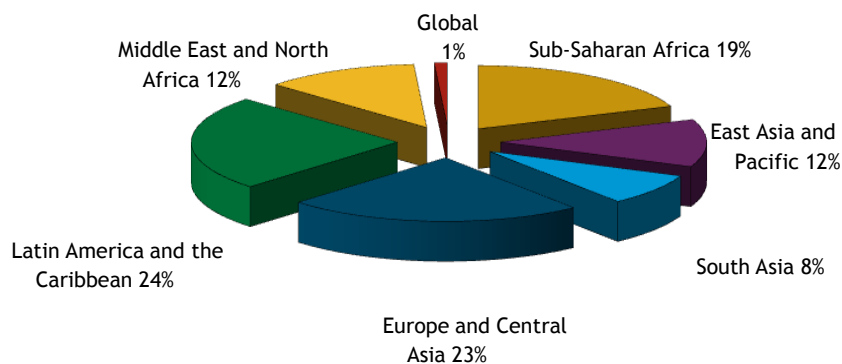
IFC Microfinance

IFC Investments by Region and Industry, FY10

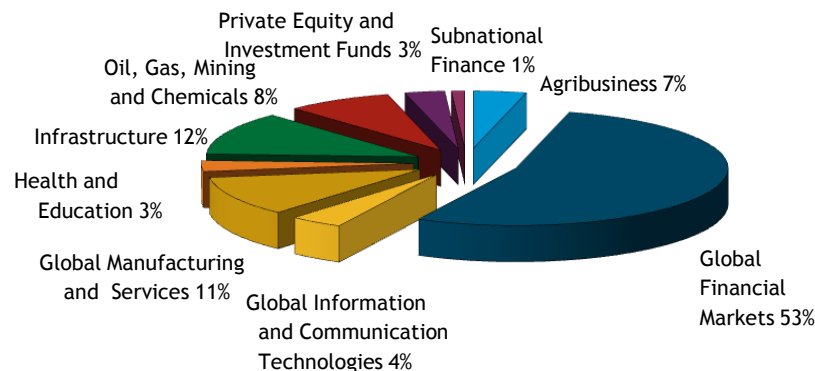
IFC is the only global multilateral institution focused exclusively on the private sector – **the global leader** in private sector development finance

- **Investments:** 528 new projects in 103 countries
- **Advisory services:** 736 new projects in 69 countries
- **\$18.0 billion in financing:** \$12.7 billion for IFC’s own account, \$5.3 billion mobilized
- **IDA countries** account for nearly half of IFC projects - 255 projects totaling \$4.9 billion.

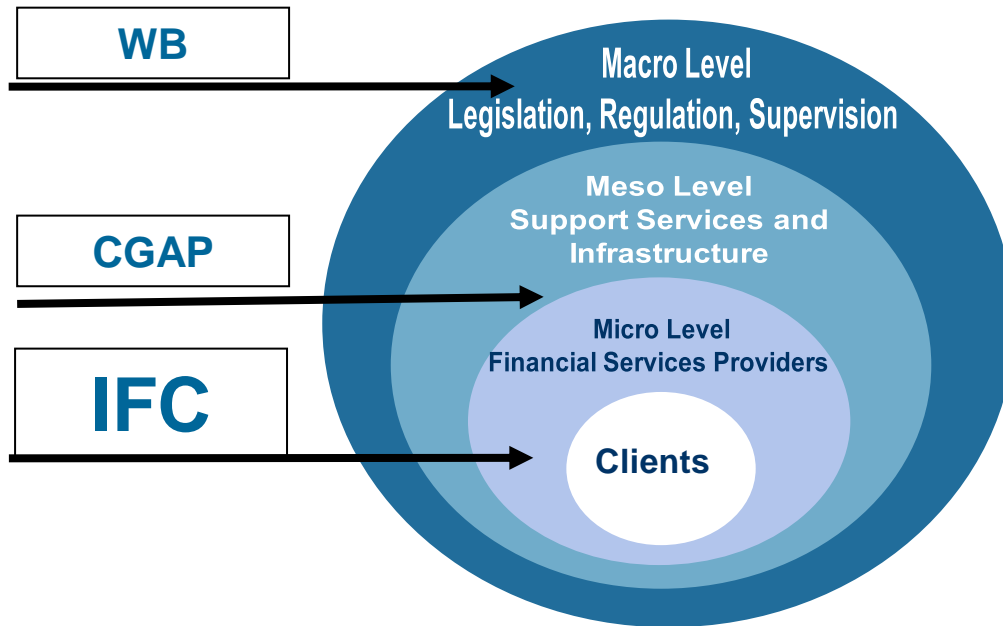
IFC Commitments by Region, FY10



Commitments by Industry, FY10



World Bank Group Role in Microfinance



- Microfinance long track record as a poverty reduction tool
- Private investment is needed to support financially sustainable institutions
- IFC's focus is on creating and supporting commercially viable MFIs that can attract private capital needed to scale up and respond to unmet demand
- IFC plays a catalytic role by demonstrating the business case for commercial microfinance and promoting it as an asset class to private institutional investors
- IFC continues to lead innovation in microfinance, using developments in technology, financial products, and policy to help financial institutions reach more people more cost-effectively

IFC - Leading investor in Microfinance in terms of volume and outreach!

IFC Microfinance: Our Achievements

Portfolio building / Product development



- Commitments in FY10 alone US\$416 million
- Total commitments till June 2010 US\$1.71 billion

- 1995-1997: equity investment K-Rep
- 1997-1998: creation of MF bank of BiH

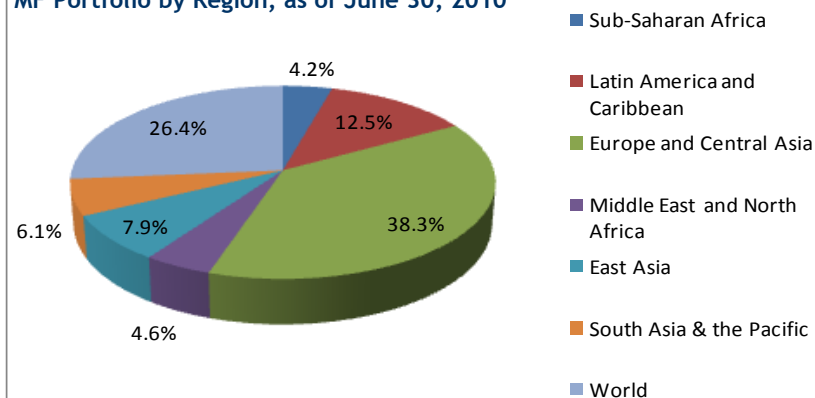
- 2000-2002:
 - ✓ roll-out Pro Credit model
 - ✓ transformation Acleda & Compartamos

- 2003 - 2007:
 - ✓ diversification into debt & equity funds
 - ✓ credit enhancement for bonds
 - ✓ syndications for individual MFIs

- 2008-2009: post crises measures

- 2010: New strategy formulated to scale up outreach & impact

MF Portfolio by Region, as of June 30, 2010



Project Snapshot Compartamos Bond Issue & IPO

□ Yesterday and Today

- 1991: Creation of an NGO with capital of US \$50K
- 2001: Transformation into SOFOL - IFC joins
- 2005: First MFI in Mexico
- 2006: Conversion into Bank

□ Initial investment

- US\$660K in equity
- US\$1M in debt

□ Achievements

- 2004: Launch of IFC credit enhanced bond program (MXP 500M - US\$45M) as a first MF rated bond targeting institutional investors
- 2005: Second tranche: MXP 310M -Demand exceeds offer threefold
- 2007: First Latin American microfinance institution to raise equity capital via an IPO raising US\$407 million. IFC sold 11,302,644 shares (proceeds = US\$38.9 million)
- 2009 Stats: US\$587 M assets, US\$206 M net worth, ROE of 39% and ROA 15.4%
- 2009 Outreach: 1.1 million borrowers (98% of women in rural areas)



Project Snapshot: Network Partner/Greenfields ProCredit Group (PCH)

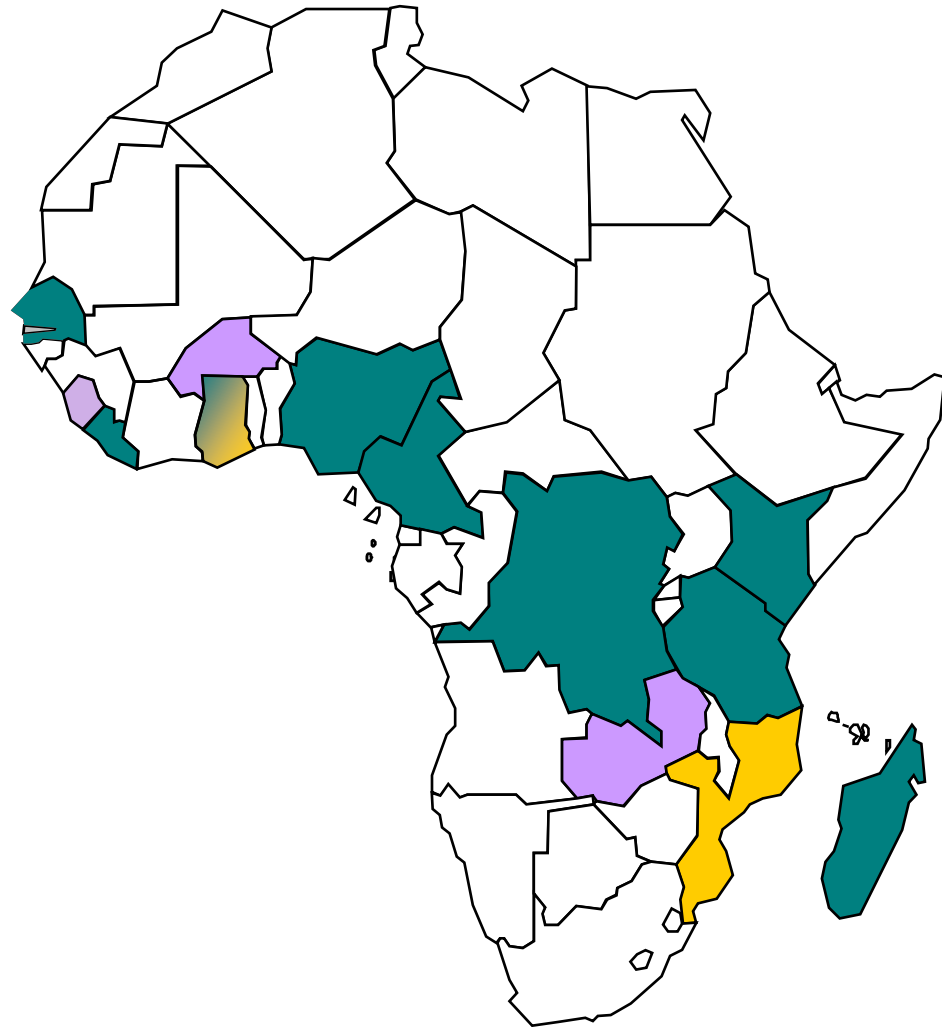
- ProCredit Holding (PCH) was founded in 1998 in Germany by IPC
- IFC involved in PCH since its inception, investing its greenfield operations
- PCH is IFC's oldest & largest microfinance client : As of Dec, 2008, IFC's investment consisted of: US\$109 million (loan investments with 8 network banks totaling US\$76 million & equity investment at PCH level of US\$32 million)
- PCH consists of 21 banks operating in Africa, LAC and Eastern Europe (DRC, Ghana, Mozambique, Ukraine, Romania, Serbia, Georgia, Moldova, Bosnia, Kosovo, Bulgaria, Macedonia, Armenia, Albania, Nicaragua, El Salvador, Bolivia, Ecuador, Colombia, Honduras, Mexico)
- PCH held almost 1 million micro-loans as of December 2009



ProCredit
H O L D I N G

Program Snapshot: IFC Microfinance Start-Ups in Africa:

Active Projects (Committed)	
1	K-REP Kenya (FY98)
2	Africap (FY03)
3	Accion Nigeria (FY05)
4	ProCredit Congo (FY05)
5	AccessBanque Madagascar (FY07)
6	MicroCred Madagascar (FY07)
7	AccessBank Tanzania (FY08)
8	Advans Ghana (FY08)
9	Advans Cameroon (FY08)
10	Advans DRC (FY08)
11	AccessBank Liberia (FY09)
12	AB MF Bank Nigeria (Access) (FY09)
12	MicroCred Senegal (FY10)
Pipeline Projects (High Probability)	
1	EB-Accion Ghana
2	AKAM West Africa
3	MicroCred Nigeria
4	Fides Senegal
5	Access Bank Zambia
6	FAULU-Kenya
Indirect Projects	
1	ProCredit Ghana
2	ProCredit Mozambique



Microfinance Enhancement Facility



MEF is a defensive facility to support strong MFIs affected by the global economic crisis.

Mobilization

(US\$ m)	IFC	KfW	EIB	GoG	OeEB	OFID	FMO	SIDA	OPIC	BIO	Total
Committed	150	130	50	36	26	20	19.5	10			441.5
Approved									30	10	481.5

Status: Disbursed US\$96.0m to 20 MFIs operating in 10 countries: ACBA (Armenia), Access Bank, Finca Azerbaijan & Azerdemiryol (Azerbaijan); Mikrofin, Prizma, Sinigija & Sunrise (BiH); Hattha & Sathapana (Cambodia); ProCredit (Ecuador); Finca Kyrgyz & MIL Molbulak (Kyrgyz); MicroInvest (Moldova); Banco Procredit & Fondo de Desarrollo (Nicaragua); Confianza , Crear Arequipa & Nueva Vision (Peru); and Eshkata Bank (Tajik).

Pipeline: US\$20.5m already approved to be disbursed to 4 MFIs in 3 countries: INECO Bank (Armenia), Hattha (Cambodia) and Credinka & MiBanco (Peru). In addition, there is a \$15m package in preparation for an MFI in Kenya and a \$40m package for a major global MF network.

Update

- IFC increased its exposure by US\$10m and now acts as Swap Provider for MEF in order to provide local currency(LC) financing (notional amount of US\$150-200 million). First LC transaction in preparation for MFI in Cambodia.
- Demand for MEF funding picking up due to (1) general increase in MFI demand, (2) MEF ability to provide local currency funding, (3) lengthening of MEF maximum tenor to 36 months, and (4) moderate reduction in MEF minimum spread.

Advisory Services Highlights

IFC Microfinance Risk Management Program

Program Rationale

Risk Management (RM) became a central theme in the agendas of various MFIs during post crisis rebuilding environment.

Strong need given stringent regulatory requirements including higher capital requirements.

Objectives

Reduce vulnerabilities to international financial shocks & improve capacity to significantly expand secure savings alternatives.

Attract small deposits & new sources of capital to reduce MFIs' dependency on donor capital

Provide low income populations with long-term, safe, & affordable financial options to meet market needs.

RM Toolkit Components

A. Background Information & Theory (Guidebook):

- (i) Explain the step-by-step needs for RM & essential RM structure

B. Assessment of Risk and RM function

- (i) Day 1 Questionnaire (MS Excel & Day 1 Letter).
- (ii) Guidelines for questions during on-site visit and data analysis. (Workbook)
- (iii) Final Report Draft Guide.

C. Handbook of Results & Suggestions:

- i. Results & suggestions improve to RM (Quick Fixes & BPG)
- ii. Manuals & tools to improve risk culture

D. Policy Handbook:

- i. Policies & Guidelines related to risk culture, risk policies & structures

E. Risk Reporting Handbook:

- i. Structured approach to Risk Reporting

2011 Achievements

Development of RM Tools

RM AS Projects

Workshops and Seminars

HQ

Cambodia

Romania

Kazakhstan

Pakistan

Poland

Developed RM Toolkit as a post crisis diagnosis & implementation tool

RM AS in Cambodia-MFI

RM AS for Romanian MFI

Industry Capacity Building-Workshop #1 (30 MFIs)

Industry Capacity Building-Workshop #2 (12 MFIs)

Industry Capacity Building-Seminar (14 MFIs)

Advisory Services Highlights

IFC Microfinance Small-Scale Deposit Mapping/Benchmarking: South Asia (MicroSave)

Objective

- Map the existing and potential small-balance deposit programs in Bangladesh, India, Nepal, and Sri Lanka.
- This will include indentifying:
 - The demand and supply for small-balance savings
 - Deposit insurance mechanisms
 - Types of savings products
 - Delivery channels (including technology)
 - The institutional and regulatory factors that are best suited to promote small savings deposits.
- Identifying existing and potential pilot schemes will help IFC IS/AS experts in the future to work closely with clients to successfully expand small-balance savings in their institutions.

Program Target Country Overview

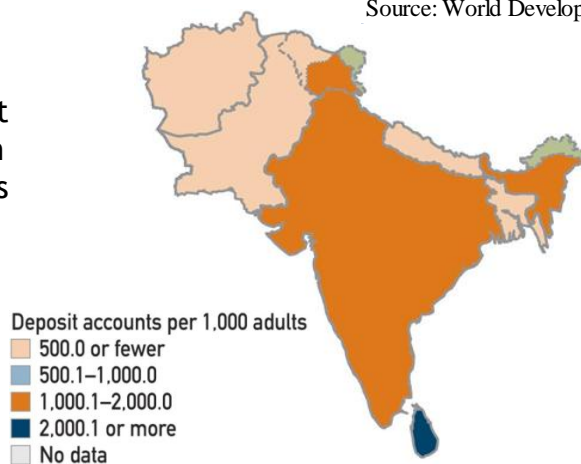
(2008 data)	Bangladesh	India	Nepal	Sri Lanka
Total Population (in millions)	160.0	1,140.0	28.6	20.2
GDP per capita, PPP (constant 2005 international \$)	1,233	2,747	1,028	4,215
Poverty headcount ratio at \$2 a day (PPP) (% of population) 1/	81.3	75.6	77.6	39.7
Mobile cellular subscriptions (per 100 people) 2/	27.9	30.4	11.6	55.0
Deposit account per thousand adults 3/	360.1	1,076.1	165.4	1,651.8

1/ Data for this indicator was available as follows: Bangladesh (2005), India (2005), Nepal (2004), Pakistan (2005) and Sri Lanka (2002).

2/ 2007 data was used for Nepal for this indicator.

3/ 2009 data was used for this indicator.

Source: World Development Indicators (WDI) and Financial Access Database (CGAP)



Source: Financial Access Database, CGAP.

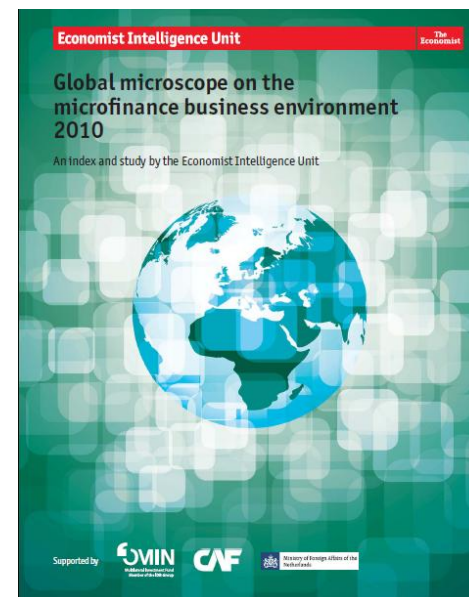
Expected Impact

- Promote small savings deposits in the region.
- Reduce the dependency that MFIs have on donor capital.
- Understand the needs of the population and provide them with better access to savings tools and other financial products that will help them combat poverty.

Advisory Services Highlights

IFC/IADB/CAF Partnership - EIU Microscope - Select Results

- **Brazil's Strategic Project on Financial Inclusion**, develops action plans based on Microscope indicators , e.g. to strengthen the Central Bank expertise
- **The African Microfinance Network**, (AFMIN) uses the Microscope to emphasize the need for best practice regulatory frameworks regionally;
- **HRH Princess Maxima of the Netherlands**, the UN Secretary General's Special Advocate for Inclusive Finance for Development, cited the Microscope as an important resource for financial inclusion research.
- **CEPAL**, an influential think tank in LAC uses the microscope as its benchmark to describe microfinance in the region, refers to the microscope in its December 2009 report.
- **MixMarket** uses the Microscope in country briefing
- **Investors:** e.g. IAMFI, Locfund, MicroVest. (an IDB fund mixes S&P with microscope scores)
- **News Sources** reference it as benchmark for MF business environment (e.g. MicroCapital)



GLOBAL MICROSCOPE 2010 INPUT

- Microscope 2010 reflects findings **>400 interviews & 226 written surveys** with MF practitioners, experts, policymakers and consultants globally.
- **Peer reviews: >30 IFC staff & IFC clients/partners** (incl. Accion, MicroCred, Advans, MEDA, MicroSave) reviewed draft country reports /provided input.

Global Microfinance Sector

10 YEARS AGO	TODAY
• Potential trade offs between impact and profitability	• Sustainability and impact go hand in hand
• Microfinance as specialized niche-apart from financial sector	• Microfinance is becoming mainstream- part of financial sector
• Credit is main product	• Products include savings, remittances and insurance
• Specialized NGOs are main providers	• Diverse providers – increasing number of regulated MFIs
• Donors provide demonstration effect through starting and supporting MFI to viability	• Wide group of players and investors

Key Trends and Observations

- **Microfinance Industry Continues to Grow but Fails to Meet Global Demand**
- **Microfinance Industry is Fragmented and Lacks Retail Structures**
- **Reach & Sustainability Impeded by Weak Institutional Structures and Insufficient Managerial Resources**
- **Industry Consolidation, Emergence of Networks and Commercial Bank Participation Impacting Market**
- **New Funding Sources Entering the Microfinance Industry**
- **Microfinance Increasingly Integrated into the Global Financial Sector**

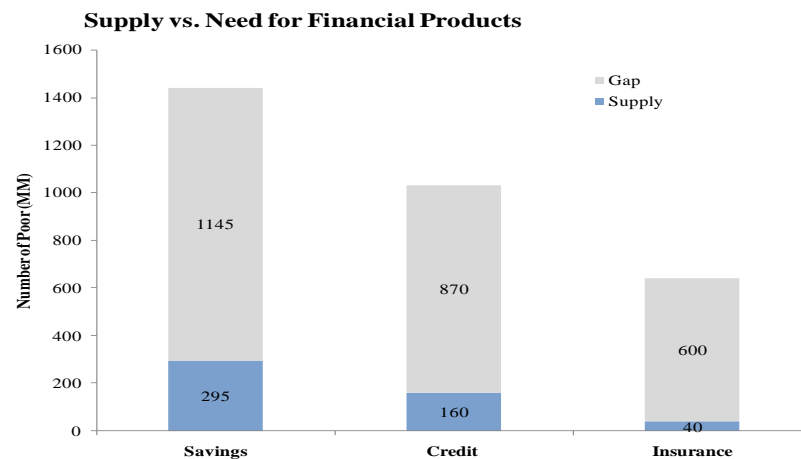
Huge Penetration Gap Still Exists

Microfinance Industry Expands: The MIX estimates that the rapid growth in microfinance over the last 15 years has reached approximately 90 million microfinance clients in those MFIs that are reporting data. Eurasia and Latin America have a long history in developing successful microfinance institutions but it is spreading quickly to Asia and some parts of Africa.

Supply of Microfinance Products Still Lags Demand: According to a recent study, the supply gap for credit, savings and insurance products remains significant. Meeting the needs of the underserved working poor will require further resources, capacity building, innovation in product design and technology-driven delivery mechanisms to narrow the gap.

Global Microfinance Sector (2008)							
	Africa	East Asia & Pacific	E. Europe & C. Asia	Latin America	Middle East & N. Africa	South Asia	All Regions
Outreach							
# of MFIs	275	194	292	384	60	190	1,395
# of Borrowers (mil)	7.5	14.6	3.0	14.1	2.5	44.4	86.2
# of Voluntary Savers (mil)	18.0	25.7	5.2	14.4	0.1	32.4	95.8
Avg. Loan Balance/Borrower (\$)	626	684	4,008	1,341	746	912	1,588
Balance Sheet							
Gross Loan Portfolio (\$mil)	3,335	8,185	10,065	16,739	1,178	4,697	44,199
Voluntary Savings (\$mil)	1,890	6,457	899	6,674	0	203	16,124
Assets (\$mil)	5,512	12,030	13,366	21,100	1,557	7,000	60,565
Equity (\$mil)	1,173	1,340	2,106	3,441	527	1,348	9,936
Efficiency							
Operating Expense (% Avg. Loans)	44	24	19	39	25	18	30
Cost per Borrower (\$)	187	102	610	294	121	283	301
Profitability %							
ROA – avg.	-3.0	1.5	3.1	0.7	1.1	-1.4	0.4
ROA – median	1.1	2.8	2.9	2.3	2.9	1.0	2.1
ROE – avg.	-9.0	4.1	16.9	-0.5	-6.9	-4.5	1.4
ROE – median	3.6	13.9	11.3	8.8	4.1	8.7	8.9
Portfolio Quality							
PAR 30 (% Avg. Loans)	9.3	6.7	4.4	7.1	6.4	5.6	6.7
Write-off Ratio (% of Avg. Loans)	2.2	1.1	0.6	2.6	2.0	1.1	1.7

* Source: Microfinance Information eXchange (MIX)



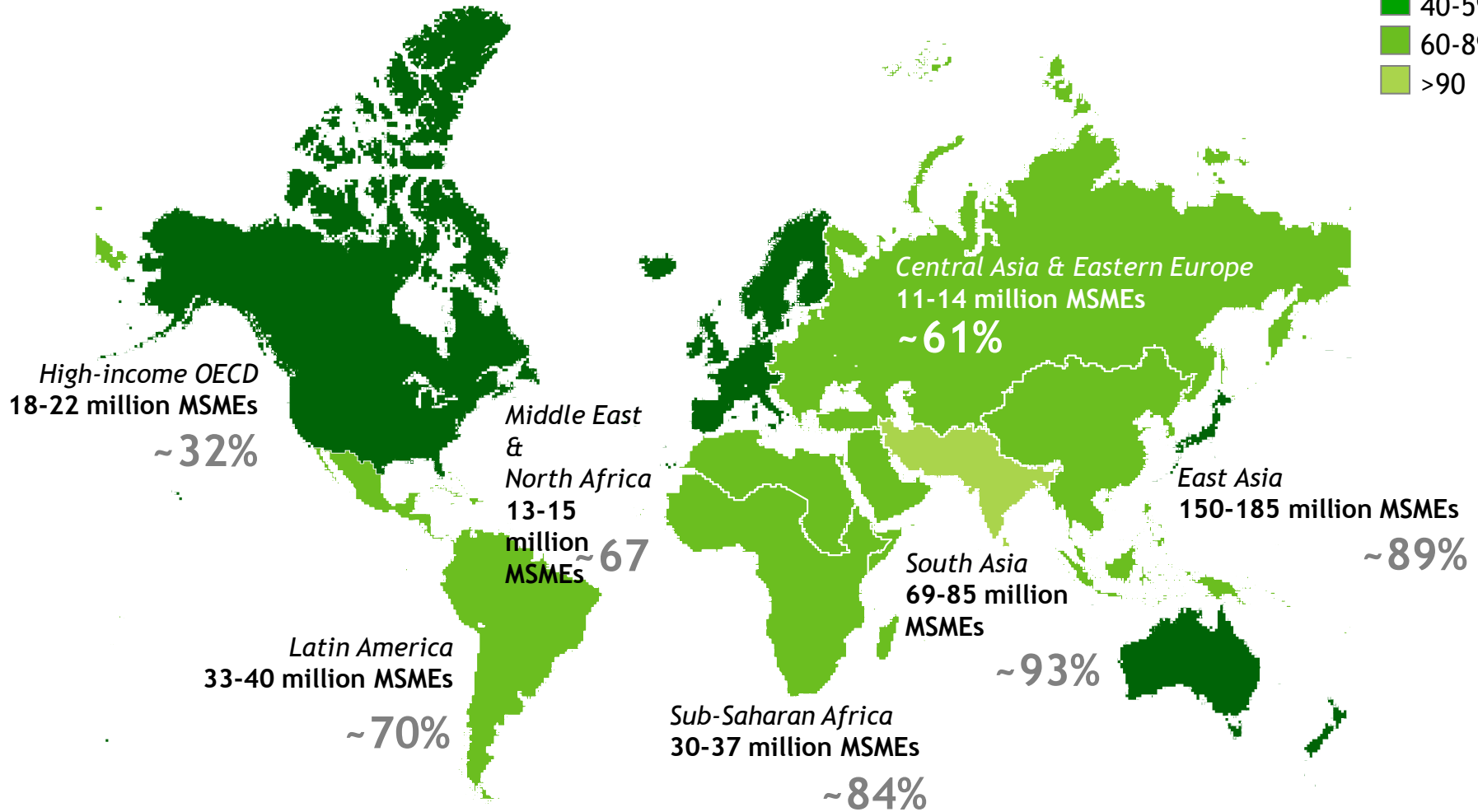
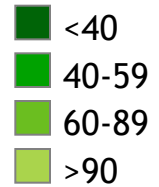
Current penetration*	18%	10%	2%
Target penetration*	88%	63%	39%
Penetration gap*	70%	53%	37%

Source: Oliver Wyman Analysis, 2007 ; Bill & Melinda Gates Foundation; CGAP.

78-90% of all MSMEs in emerging markets are unserved or underserved

Percent of formal and informal MSMEs that are unserved or underserved

(Smaller type refers to the total number of MSMEs that do not have access to a FI loan/ overdraft and need a loan in each region)



IFC Microfinance 2011 & Beyond: Increase Outreach

- Large Country Focus: 15 large countries account for 75% of world's poor
 - China, India, Ethiopia, Nigeria, So. Africa, Pakistan, Bangladesh, Mexico, Indonesia, Russia, Brazil, Turkey, Egypt, Morocco, Philippines

- Savings Mobilization and Diversification: key for sustainability and poverty alleviation
 - Regulatory improvements
 - Back-office capacity
 - Incentive structures
 - Product diversification (Leap Frog: micro-insurance)

- Capacity/ Institution Building: (Africa, Caribbean, Central Asia, MENA and Pacific)
 - Establishing flagship local or regional MFIs
 - Greater integration with the conventional financial sector

- Innovation and Technology: prerequisite to further develop sector and expand outreach
 - Attract new funding sources through use of structured financing vehicles
 - Support product development and use of mobile and branchless banking