



There's Nothing "Micro" about

Poverty



Nearly 3 billion people in developing countries have little or no access to formal financial services that can help them increase their incomes and improve their lives. Access to a range of microfinance services—savings, loans, microinsurance, and money transfers—enables poor families to invest in enterprise and in better nutrition, improved living conditions, and the health and education of their children.

The World Bank Group is committed to expanding access to finance for the world's poor. Our work focuses on supporting equitable local financial markets and building a strong microfinance sector in developing markets. Working with governments and microfinance institutions, the different members of the World Bank Group play complementary roles in achieving our goal of universal access to finance.

The **World Bank (IBRD/IDA)** offers policy advice and provides finance to governments to support lending and market development. In the past 3 years, the World Bank's microfinance investment lending support amounted to \$300 million in 24 countries, the vast majority of it in the poorest countries.

CGAP (Consultative Group to Assist the Poor), a multi-donor partnership for microfinance created by the World Bank in 1995, contributes to the advancement of microfinance by building consensus on industry standards, funding innovation, and disseminating best practices.

IFC is a leading investor in sustainable microfinance institutions, with cumulative commitments of almost \$1 billion. IFC's commitments for microfinance have grown more than six-fold from 2005 to 2008. At the end of 2007, 57 microfinance institutions supported by IFC had an outstanding portfolio of 5.8 million loans for over \$7.2 billion. In 2007, 65 percent of microloan borrowers were women.



INVESTING IN MICROFINANCE

The World Bank Group is the world's #1 investor in terms of outreach to microfinance institutions, primarily through IFC. IFC alone has reached over 100 microfinance institutions in almost 60 countries.

The investment focus is on creating and supporting commercially viable microfinance institutions that can attract the private capital needed for them to scale up and respond to unmet demand.

"IFC has been instrumental in supporting the development of K-REP, not just through its equity investment, but, more important, through participation in the Board, [and] advisory support."

—**Kimanthi Mutua**, Managing Director,
K-Rep Bank

CGAP has advised
central banks and
policy makers in more
than 50 countries on
policy changes related
to access to finance.



K-REP started in 1984 as a 5-year microenterprise development project. In 1999 it obtained a banking license and transformed into a commercial microfinance bank. The World Bank Group, through IFC, provided investment and advisory services, and CGAP designed an employee stock ownership program to accompany the shareholder structure. Today K-REP operates as a commercial microfinance bank with 30 branches throughout Kenya. K-REP microloans have more than doubled—in volume and in number—over the past 2 years. As of December 31, 2007, the bank had 134,312 MSME loans worth a total of \$49.6 million, of which 99 percent were loans to microentrepreneurs.

DRIVING INNOVATION, BUILDING CAPACITY

The World Bank Group is a leading innovator in microfinance, promoting developments in technology, financial products, and business practices to help financial institutions reach more poor people, more cost effectively. We help build the institutional capacity of a whole range of providers, from banks and microfinance institutions to credit unions and self-help groups. As these institutions become stronger and more financially sound, they can extend their reach, improve their efficiency, and increase the range and quality of services they offer.

With cost savings that can surpass 80 percent over traditional banking, new technologies are making it possible to reach millions of poor people who, until now, have been left out of the formal financial system. Through cell phone service and a local shop handling the cash, mobile banking has the potential to reach every village in the developing world.

CGAP has been at the forefront of the developments in “branchless banking,” shaping and funding pilot mobile banking projects throughout the developing world. CGAP also engages policy makers and regulators through diagnostic and advisory work, championing ways to balance safety and consumer protection with growth and innovation.



“In a country like India, CGAP helps in creating awareness among various stakeholders, such as banks, telcos, and most important, regulators, about how a branchless banking ecosystem can peacefully co-exist with a traditional one. Truly their work epitomizes thought leadership in this field.”

—Naushad Contractor, Vodafone India

SUPPORTING POLICY CHANGE

Microfinance can't work without the right legal and regulatory environment. In some countries it is illegal for an NGO to lend money. In others, commercial banks are the only institutions allowed to offer deposit services.

The World Bank Group is committed to the creation of policy environments that balance increased access, financial stability, and protection of poorer clients. We use our position and credibility with policy makers and regulators around the world to influence policy changes that will make a difference to the lives of the poor.

Imagine the challenge of extending financial services throughout the Republic of Maldives, made up of 200 inhabited islands scattered across a wide swath of the Indian Ocean—many with populations of fewer than 1,000. Yet the Maldives stands poised to become the first country in the world to provide universal financial access, even for the poorest villager on the most remote island, using mobile phone networks that already reach most of the population. CGAP, the World Bank, and the Maldives' central bank are working together to shape a regulatory framework for branchless banking and develop an interoperable retail payments system with sufficient volume to be viable—all through mobile phones and a network of local retail establishments serving as banking agents.

Graduating the Poorest into Microfinance

Some of the very poorest people need help from safety net programs before they can make full use of microfinance services. Safety net programs in the form of cash transfers, food aid, or guaranteed employment schemes can help the poorest to meet their immediate consumption needs. But they need additional help to develop long-term income-generating activities or build assets to move out of poverty.

The World Bank Group's graduation programs offer a carefully sequenced combination of stipends or the transfer of assets, such as goats or chickens, with livelihoods training and savings services. The goal is to "graduate" recipients out of extreme poverty and to enable them to access mainstream microfinance. Pilots in Haiti, Pakistan, and West Bengal show promising results, while other pilots are being designed for Ethiopia, Honduras, and Yemen.



Reconstructing Afghanistan

Set up after the war, MISFA was designed by CGAP and the World Bank to help build a strong and sustainable microfinance sector from the start. By creating a facility that other funders could join, the aim was to stimulate entry of microfinance organizations and to build local capacity, with best practice performance and reporting standards. Today, MISFA is an independent organization that supports 15 microfinance institutions, with a network of 280 branches in 24 provinces, with almost 500,000 active savings and loan clients. Sixty-five percent of the clients are women, and the loan repayment rate is 96 percent. The microfinance sector has so far disbursed more than 1 million microloans, is expanding into other financial services, and employs 4,500 Afghans.

Learn more about the World Bank Group's work in microfinance:

www.worldbank.org

www.cgap.org

www.ifc.org



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