

# IFC Africa MSME Program Evaluation & Impact Component The Important Role of “Comparators”

Implemented by:

The Urban Institute (Washington, DC)



In partnership with

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# Overview of the Presentation

- Goals & Objectives of the Impact Assessment
- Evaluation and Impact Methodology
- Data Collection
- Features & Benefits for Participating FI
- Implementation Time Frame
- The Evaluation Team

# MSME Program Goals

- The IFC MSME Program is designed to deliver technical assistance and liquidity to FI partners. The goals are:
  - 10-15 Africa-based banks engaged as FI partners in 5-7 countries
  - Technical assistance from resident advisors and short-term consultants
  - Increased liquidity from IFC for partner FIs
  - 35,000 to 45,000 new loans to micro, small, and medium enterprises for \$400 -600 million

# Overview of the Evaluation and Impact Assessment

- Evaluation
  - “before and after” comparison: how have partner FIs improved and changed over the 3 years of the program?
  - How has the profile of their MSME clients improved and changed?
- Impact Assessment
  - How do partner FIs compare with a non-partner (comparator) FIs after 3 years?
  - What aspects of change might be attributed to the IFC program rather than background and other factors?

# Selecting FIs for Evaluation and Impact Assessment

- Evaluation FIs
  - Choose 6 FIs from the IFC partners
  - Evaluate their performance over 3 years
- Impact Assessment FIs
  - Choose 3 FIs from the 6 evaluation FIs
  - Choose 3 similar FIs as Comparators in same country
  - Compare the performance of participating FIs against comparator (non-participating) FIs
  - Assess the impact of the IFC Program on MSME performance for both FI partner and comparators through surveys of MSME clients

# Summary of the Evaluation and Impact Assessment Design

- **Evaluation FIs**
- Choose 6 FIs from IFC's 15 partners
- Conduct a “before & after” analysis over 3 years
  - Baseline: after RA in place
  - Mid-term: 1.5 years
  - Final: 3 years
- No MSME surveys
- **Impact FIs & Comparators**
- Choose 3 FIs from the 6 evaluation FIs
- Select 3 Comparators
- Conduct a “quasi experimental” analysis
  - Sample MSME clients of FIs and comparators & conduct an MSME survey
  - Baseline, mid-term, and final

# What is a Comparator FI and why are they so important?

- FI in same country as a partner FI
- Financial and client profile should be as similar as possible
- Without comparators – who are subject to same macro and micro economic forces as the partners - it is not possible to know whether the partners 3-year profile has been impacted by the IFC program or solely by other factors

# What do Comparators Provide?

- Summary Quantitative data on their overall finances and their MSME clients
- Qualitative data on MSME goals, targets, and techniques via interviews by the evaluation team
- MSME client list to be used for random sampling
- Selected MSMEs have very brief interviews done by a local survey company and evaluated by the team

# What Issues is the Impact Assessment Trying to Answer?

- How do partner FIs perform in their MSME lending with comparator FIs?
- What changes have occurred in the financial health of the partner FIs and comparator FIs?
- How does the financial health of the MSMEs of the partners and comparators compare?

# What Can Comparators Gain from Participation? (1)

- Summary of all analysis reports at baseline, mid-term, and after 3 years. Data categories:
  - Supply of credit
  - Quality of portfolio
  - Institutional characteristics
  - Profitability
  - Expansion of finance
  - Governance and strategy
  - Training
  - Efficiency

# What Can Comparators Gain from Participation? (2)

- Outcome of Evaluation of all 6 partner FIs
- Outcomes of the Impact Assessment for all 3 FI Partner/Comparator pairs. Analysis of outcomes for:
  - Portfolio growth, ROA, ROE
  - Portfolio analysis by MSME clients, loan size, loan sector, loan quality, efficiency from application to approval to disbursement
  - Loan products/new loan products, MSME targets
  - Marketing strategies/new marketing techniques
  - Impact of tools such as credit scoring, risk analysis, IT

# Timing of the Evaluation

- **Baseline**
  - Initial baseline data collection and interviews of financial institutions
- **Mid-term: 1.5 years**
  - Data collection, surveys and analysis at mid-term (1.5 years into the project).
- **Final: 3 years**
  - Data collection, surveys, and analysis at the project end

# Summary of Data Collection Cycle

## ■ Evaluation FIs

### ■ Baseline

- FI data collection
- FI Interviews

### ■ Mid-term

- FI data collection

### ■ Final

- FI data collection
- FI Interviews

## ■ Impact FIs & Comparators

### ■ Baseline

- FI data collection
- FI Interviews
- MSME client surveys

### ■ Mid-term

- FI data collection
- FI Interviews
- MSME client surveys

### ■ Final

- FI data collection
- FI Interviews
- MSME client surveys

# Examples of Quantitative Evaluation Data

- FI Data
  - US\$ value of all outstanding loans (micro, small, and medium)
  - # of all outstanding loans (micro, small, and medium)
  - US\$ value of all loans disbursed (micro, small, and medium)
  - # of all loans disbursed (micro, small, and medium)
  - # of new financial products introduced into the market
  - # of loans secured by registered capital
  - # days to process a loan
  - % of non-current SME loans of the gross SME loan portfolio
- Enterprise Level
  - # of SMEs reporting increased **gross sales**
  - # of SMEs reporting increased net **profit margin**
  - # of SMEs reporting increased **employment**
- The IFC MSME Africa Program
  - # of SMEs that received financing through the program
  - US\$ value of outstanding SME loan portfolio for SMEs that received financing through the program
  - # of financial intermediaries to which advisory services were provided
  - # of advisory service hours provided by IFC and third parties to client (financial intermediary)
  - # of new staff dedicated to SME activities in partner banks and financial institutions
  - # of financial intermediaries that purchase credit reports

# Examples of Qualitative Evaluation Data from Interviews

- Loan Products
- Target Sectors
- Accessibility
  - # of branches
  - coverage
- Sales & Service
  - # of dedicated staff to MSMEs
  - Training activities for staff
- Market Visibility
  - Marketing budgets & spend
  - # of products introduced
- Management & Organizational Structure

# Evaluation Goals for FI Partners

- a) The extent to which the Program has met its stated objectives and achieved targets, in terms of the performance of the financial institutions (such as changes in methods and practices, MSME portfolio size and quality, new clients reached, credit processes and systems, governance, market segmentation, risk management, etc.),
- b) The cost-effectiveness of the Program as a means to support access to finance in IFC's client countries;
- c) The appropriateness of the TA pricing policy and structure (client bank contribution vs. subsidy) and of the TA delivery mechanisms;
- d) Sustainability of impacts; and
- e) The lessons learned for IFC from the Program

# Evaluation Goals for MSME Clients of the FI Partners

- a) The extent to which the Program has met the its stated objectives and achieved targets, in terms of impacts in improving access to finance and overall profitability and growth of MSMEs; and
- b) The value added of IFC's interventions in assisting the MSME sector (addressed through the Impact Analysis).

# The Monitoring & Evaluation Team

- Urban Institute 
  - Sally Merrill (manager, development economist)
  - Peter Tatian (analysis and database expert)
  - Doug Wissoker (statistician)
  - Kelly Kohagen, Brooke Linkow (interviewers)
- Siana Strategic Advisors 
  - Roland Pearson (finance and MSME expert)
  - Sharda Naidoo (finance and MSME expert)
- Local Survey Firms
  - Conduct MSME surveys