IFC ADVISORY SERVICES

IFC & Microfinance

IN PARTNERSHIP WITH

MICROFINANCE AT A GLANCE
Microfinance institutions (MFIs) provide access to capital and financial services in low-income countries, financing micro and small enterprises, as well as low-income households. Worldwide, the microfinance industry is estimated at between $60-100 billion in total asset size. The industry has experienced rapid growth, with leading MFIs growing by 20 percent per annum in the past 5 years.

Despite significant achievements, the microfinance sector still faces many challenges, and the recent global economic downturn demonstrated that it is not totally immune to crises. Institutional development, expanding product diversity beyond simple short-term credit instruments, reaching beyond urban centers, and diversifying funding sources all remain challenges in the sector that IFC aims to address through tailored advisory services.

MICROFINANCE AT IFC
IFC, a member of the World Bank Group, focuses on the private sector to promote growth, reduce poverty, and improve people’s lives in developing countries. IFC is the world’s largest multilateral financier for companies that do business in emerging markets. IFC has played a catalytic role in supporting financing and capacity building of MFIs around the world, advancing innovation and supporting the development and dissemination of knowledge and best practices. IFC is now one of the largest global microfinance investors, developing specialized microfinance banks, fostering the creation of international microfinance network banks, and developing collective investment vehicles that have led to the mobilization of private capital in domestic and international capital markets. IFC’s Access to Finance (A2F) Advisory Services team of experts focuses its efforts on achieving impact through scale, expanding product diversification, and advancing responsible finance practices.

MICROFINANCE GLOBAL FY12 PROJECT PORTFOLIO
- Microfinance is a priority service area at Access to Finance (A2F): MF projects make up 24 percent of the A2F portfolio, the largest proportion of any A2F product.
- IFC’s Investment and Advisory Services work in over 60 countries with 150 microfinance institutions. As of June 2012, IFC’s microfinance clients provided $6.2 billion in financing to about 7.09 million micro enterprises.
- IFC’s work in expanding microfinance beyond credit product offerings has led to its client institutions mobilizing over $80.2 billion in deposits from 40 million deposit accounts as of December 2011.

ADVANCING RESPONSIBLE FINANCE
Access to Finance (A2F) works with clients to build capacity for following responsible finance practices, closely coordinating this work with IFC’s investment arm. For IFC, embedding responsible finance into the DNA of financial institutions allows for a client-centric approach in product design and delivery of customized services for households, and small and medium enterprises. By embedding these principles into the core delivery of financial services, the financial institution is able to appropriately manage risk, balance profitability with inclusive finance, and contribute to long-term sustainability and wider systemic growth.

MICROFINANCE ADVISORY SERVICES
SERVICES WE PROVIDE

IFC Microfinance Advisory Services works with clients to deliver tailored advisory services, including:

INSTITUTION BUILDING & STRENGTHENING

IFC supports MF providers to build and strengthen startup or existing operations through a range of services, including credit technology, portfolio management, loan officer training, strategic planning, and efficiency management.

**AccessBank Madagascar**: Market studies on the microfinance sector in Madagascar had revealed unmet ongoing demand for financial services by microenterprises and low-income households. To address this, in 2006 IFC established AccessBank Madagascar (ABM), a greenfield microfinance bank, in cooperation with Access Holding and LFS. IFC brought project experience and expertise in microfinance greenfielding gained from setting up more than 20 MFIs globally. In just six years, ABM has quickly become a leader in Madagascar, offering innovative credit and savings products as well as money transfer services in partnership with SWIFT and MoneyGram. As of June 2012, ABM has 23,326 active loans worth $20.5m, and holds 84,689 deposit accounts worth $23.6m.

TRANSFORMATION

IFC supports with transformation into regulated MFIs or banks, enabling MFIs to offer a broader range of services and build a more diversified funding base.

**Bai-Tushum (Kyrgyz Republic)**: IFC provided investment and advisory services to support Bai-Tushum's transformation into a deposit-taking institution, including stakeholder engagement, strengthening internal control, audit, and external communications systems. As a result, Bai-Tushum became the first MFI in the Kyrgyz Republic to receive a deposit-taking license in July 2011. Bai-Tushum's CEO indicated that “IFC’s contribution in both clarifying the vision of being a bank and capacity building in versatile institutional areas was crucial for making this application possible.” As of June 2012, Bai-Tushum has over 33,800 loans worth $63.5m and holds 1,516 deposits worth $763,000.

RISK MANAGEMENT

IFC assists MFIs to develop and strengthen RM practices by conducting an initial diagnostic of existing RM procedures and developing a structured project plan based on assessment findings. IFC also offers practitioner-focused workshops to raise awareness of the importance of sound RM. This supplements IFC efforts to build strong MFI foundations and enhance institutional resilience, which are critical components to sustainable MF growth.

**CHF Finance Group and Express Finance (Romania)**: In 2010, IFC invested in CHF Finance Group, a commercially-oriented microfinance holding company majority-owned by CHF International. IFC provided phased advisory services to strengthen the institutional capacity of both the holding company and four initial subsidiary MFIs. IFC conducted an in-depth risk assessment of Express Finance on the effectiveness of its RM systems, helped establish a formal RM unit, and introduced overall improvements to RM processes. Work at Express Finance provided: 1) a strong platform for the holding company to monitor risks at all subsidiaries, and 2) a replicable model for two additional affiliates to implement, which was subsequently undertaken.

MICRO AND RETAIL PRODUCT DEVELOPMENT

Microfinance Advisory Services is part of the A2F Micro and Retail Finance Cluster that works to address gaps in access to financial services for households by supporting the development, testing, and implementation of innovative retail financial products beyond credit. This includes using technology to provide more efficient and comprehensive financial services to end-clients in key areas such as mobile banking, housing finance, responsible finance, and insurance.

DOWNSCALING

IFC supports commercial banks entering the microfinance sector by assisting in adjusting their vast existing networks and systems to reach microfinance clients.

Our Partners support IFC's Access to Finance Advisory work globally.