



# IFC Financing to Micro, Small, and Medium Enterprises in Europe and Central Asia

## Key Highlights

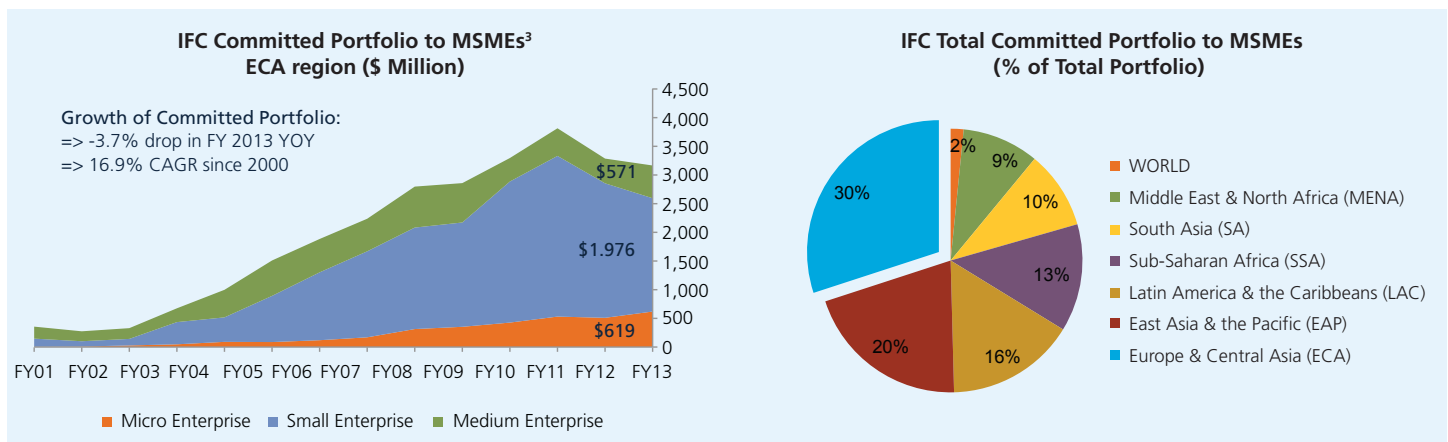
IFC is working to develop solutions to close the micro, small, and medium enterprise (MSME<sup>1</sup>) financing gap, collaborating with 103 financial institutions (FIs) across 22 countries in Europe and Central Asia (ECA) region.

As of June 2013, IFC committed a total of \$3.7 billion to MSME finance in ECA region<sup>2</sup>, \$3.3 billion for long term finance (including \$175 million for funds supporting MSMEs), and \$359 million for trade finance. In fiscal year (FY) 2013 alone, IFC MSME commitments in the region were \$917 million (up 5 percent from \$871 million

in FY2012), \$508 million of which was attributed to long-term financing.

By the end of calendar year (CY) 2012 IFC's MSME clients had 2.18 million micro loans outstanding in ECA (up 26 percent from 1.73 million in CY2011), totaling \$4.12 billion (up 18 percent from \$3.50 billion in CY2011). Similarly, IFC's MSME clients had over 1.34 million small and medium loans outstanding by the end of CY2012 (up 54 percent from 0.87 million in CY2011), totaling \$58.32 billion in this region (up 6 percent from \$55.06 billion in CY2011).

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



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

### MSME Loans by Microfinance Institutions

IFC was able to survey or extrapolate outreach data from 23 clients - microfinance institutions (MFIs) in 12 countries in ECA region, 43 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	1,280,031	2,215,568	1,731	2%
Small Loans	122,313	3,065,701	25,064	3%
Medium Loans	15,987	4,992,784	312,303	4%

### MSME Loans by SME Financial Institutions

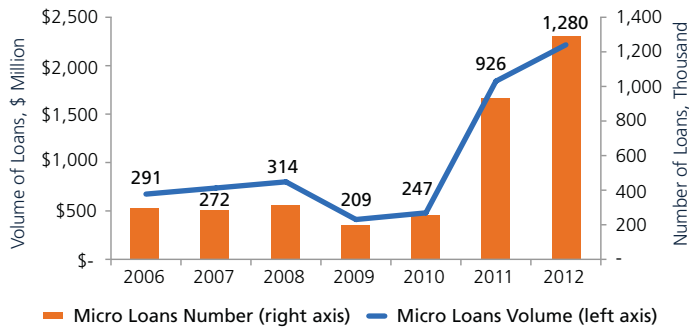
IFC was able to survey or extrapolate outreach data from 80 clients - small and medium enterprises (SME) FIs in 21 countries in ECA region, 45 percent of these clients received advisory services from IFC.

	Number of Loans Outstanding	Outstanding Loan Portfolio '000 in \$	Average Loan Size	NPL % <sup>4</sup>
Micro Loans	898,471	1,904,892	2,120	12%
Small Loans	868,543	12,878,018	14,827	10%
Medium Loans	328,484	37,385,180	113,811	10%

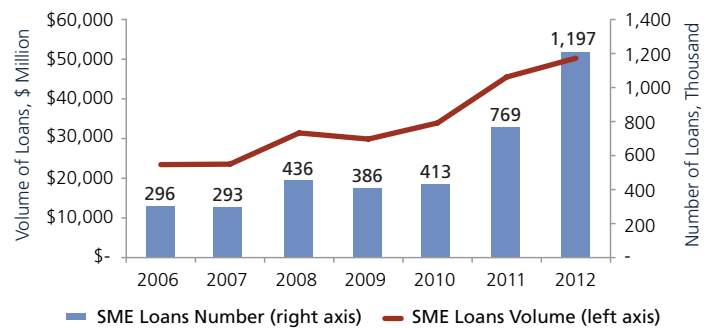
1. MSME firm size definitions: IFC's Financial Institutions Group categorizes its clients' sub-borrowers according to the following definitions: (1) microfinance institution if loan < \$10,000 at origination; (2) small enterprise if loan < \$100,000 at origination; (3) medium enterprise if loan < \$1 million at origination (\$2 million for advanced countries).  
 2. The share of committed loans to microfinance institutions in the MSME regional committed portfolio increased from 15.5 percent in FY2012 to 19.6 percent in FY2013; small enterprises accounted for 62.4 percent in FY2013 (71.4 percent in FY2012); medium enterprises accounted for 18 percent in FY2013 (13.1 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 ECA Region, CY2006-CY2012

### Volume and Number of Micro Loans by MFIs



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

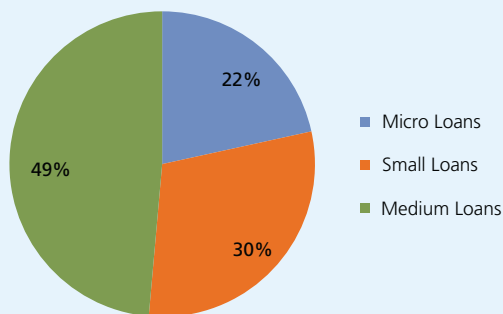


Historically micro loans provided by MFIs demonstrated upward sloping trend in ECA region except for the drop in CY2009 followed by the aftermath of the financial crisis: portfolio of two clients in Serbia and Romania (accounted for 47 percent of CY2008 portfolio) scaled down from \$370 million to \$120 million. Significant growth of micro loans portfolio in CY2011 was mainly fostered by acquiring a new client in Turkey. It accounted for 43 percent of this segment's volume of loans and 52 percent of this segment's number of loans in CY2011 and continued expansion in CY2012, which significantly contributed to overall IFC portfolio growth.

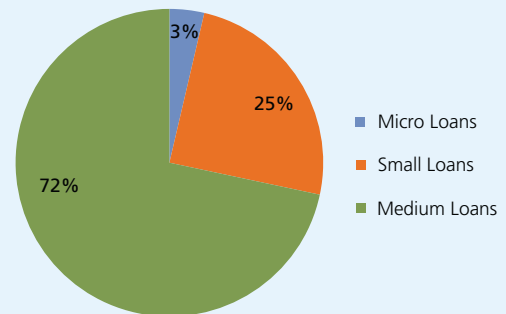
Small and medium loans provided by SME FIs demonstrated smooth growth during the last several years. The increase in number of loans in CY2011 (86 percent) was mainly attributed to scaling up (10 times) of a Turkish client portfolio and acquisition of a new client in Turkey. Number of loans increased by 56 percent in CY2012, which was mainly driven by fast growth of one of Turkish clients' portfolio and also by expanding of IFC clientele.

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

### MFI Portfolio



### SME FI Portfolio



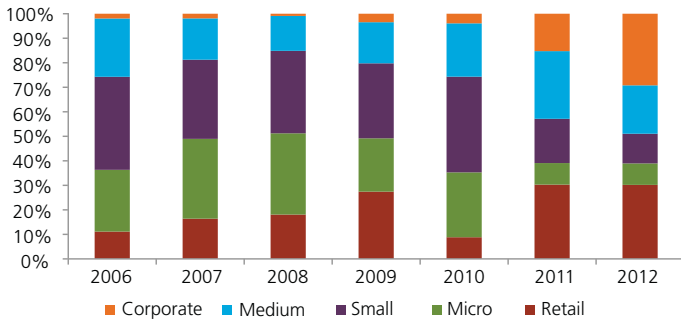
MFI	Micro Loans	Small Loans	Medium Loans
2006	29.0%	43.7%	27.4%
2007	39.8%	39.5%	20.6%
2008	40.9%	41.5%	17.6%
2009	31.5%	44.3%	24.3%
2010	30.3%	44.7%	24.9%
2011	16.1%	33.2%	50.7%
2012	21.6%	29.8%	48.6%

SME	Micro Loans	Small Loans	Medium Loans
2006	2.1%	23.3%	74.7%
2007	2.2%	27.8%	70.1%
2008	3.1%	31.4%	65.4%
2009	2.9%	22.1%	75.0%
2010	3.6%	23.8%	72.7%
2011	3.5%	24.0%	72.5%
2012	3.7%	24.7%	71.7%

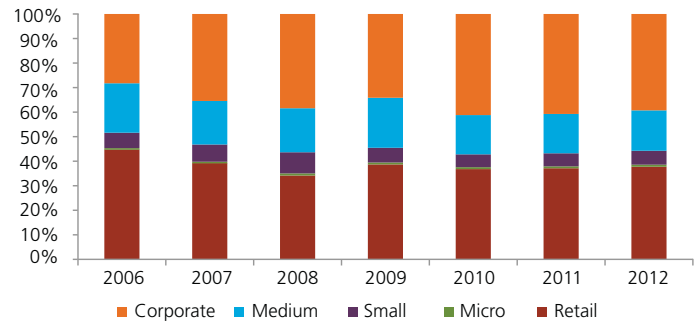


## Total Portfolio Composition by Loan Category in ECA Region, CY2012

### MFI Portfolio Composition: Volume of Loans



### SME FI Portfolio Composition: Volume of Loans

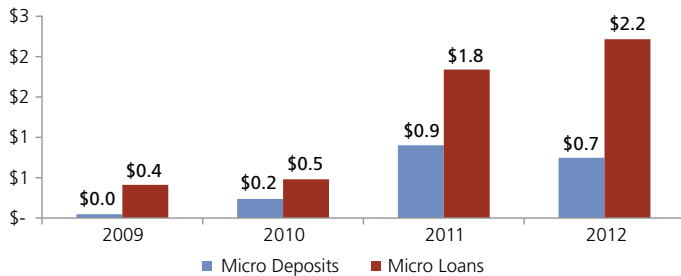


## Change in Deposits Volume CY2010-CY2012<sup>5</sup>

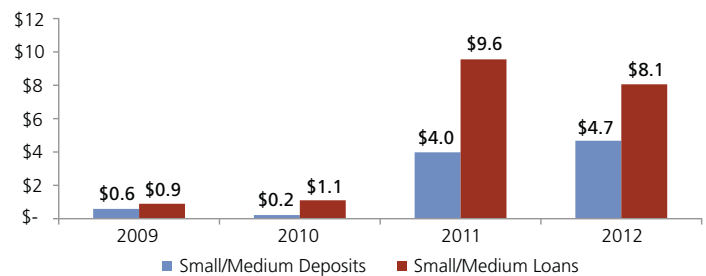
A significant spike in volume of deposits received by microfinance institutions in CY2011 was mainly driven by reclassification of a large Turkish client with more than \$3.5 billion portfolio from SME to MFI type, which continued to grow in CY2012, promoting the total portfolio growth. The significant change in the portfolio of deposits held by SME FIs in CY2010 versus CY2009 (increase by almost \$30 billion) was mainly attributed to the acquisition of a

new client in Romania with \$7.4 billion deposits and in Turkey with \$4.8 billion of deposit portfolio. Scaling up of existing client in Turkey added \$6 billion more to the entire portfolio in CY2010. The portfolio of micro, small and medium deposits held by SME FIs in CY2012 demonstrated significant growth by 34 percent since CY2011. This was mainly driven by scaling up of the Turkish client portfolio by almost \$9.7 billion.

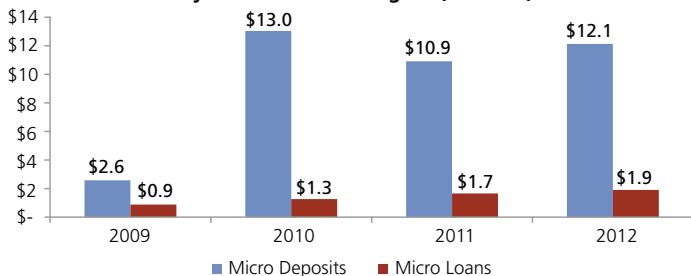
### Volume of Micro Loans and Deposits by MFIs in ECA Region (\$ Billion)



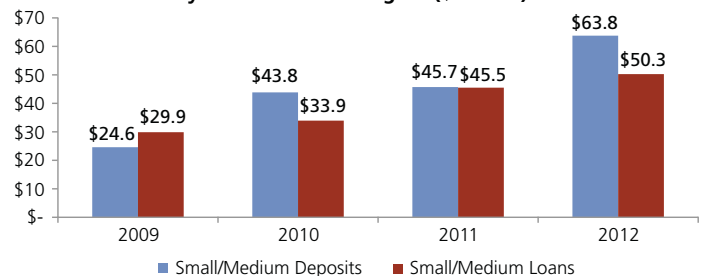
### Volume of Small/Medium Loans and Deposits by MFIs in ECA Region (\$ Billion)



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



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

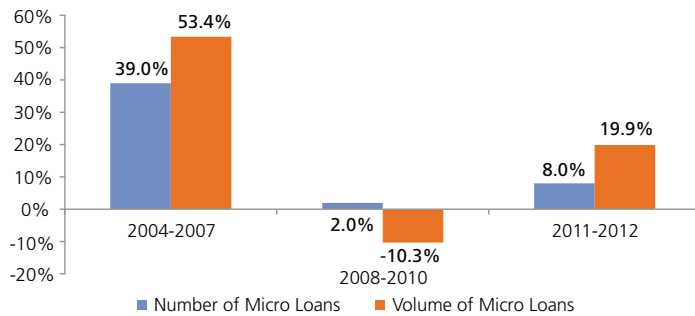


5. The deposits data includes retail, MSME and other commercial portfolio deposits. Micro and Small/Medium deposits classifications were done in accordance with definition of relevant loan size noted in footnote 1.

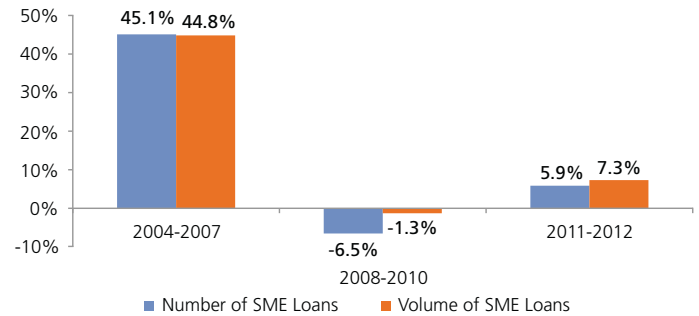


## Trend Analysis of Compounded Annual Growth Rate (CAGR)<sup>6</sup>

CAGR Trend – Micro Loans by MFIs in ECA Region



CAGR Trend – SME Loans by SME FIs in ECA Region



### Client Highlight: IMON International LLM, Tajikistan

#### Objective and Client Need:

Tajikistan is one of the poorest and most fragile countries ECA region. Expanding microfinance is a critical tool to alleviate poverty, stimulate employment and entrepreneurship. It is also an important mechanism to attract private capital to the financial sector, thus fulfilling the unmet demand for financial services.

The International Microloan Fund IMON (“IMLF IMON”) was founded in June, 2005 as an NGO to finance micro and small entrepreneurs in urban and rural areas through individual and group lending products. In 2008, IMLF IMON transformed into a commercial entity. With a market share of about 12 percent, IMON is the largest non-bank microfinance provider in Tajikistan. Through a network of 16 branches and 102 outlets, IMON is present in most Tajik regions with a special focus on rural areas. IMON’s medium-term strategy is to further expand its microfinance network, while diversifying lending activities to include not only micro but also small enterprises in Tajikistan and integrating deposit collection and commercial banking services by 2014. With this strategy in mind, IMON obtained a deposit-collection license and became a microdeposit organization in January, 2013.

#### IFC’s role:

IFC has been supporting IMON’s ongoing transformation since 2008, through two senior loans for a total amount of US \$7.5 million. The senior loan in the amount of US \$5 million was disbursed in 2012. It is the first local currency facility IFC has completed in Tajikistan.

IFC Advisory Services also worked with IMON to provide transformational know-how and support for institutional development efforts in the face of changing regulatory environment and insufficient legislative infrastructure. As part of IFC Advisory Services agreement, a module on SME lending will also be delivered. The SME module is expected to assist IMON in developing an SME lending strategy and methodology and successfully implementing organizational and operational changes necessary to serve the SME market.

#### Development Impact:

As of December 2012, IMON had more than 58,000 active loans with a loan portfolio of more than US \$68 million. With an average annual growth rate of 15 percent, in 2012, IMON’s total assets reached US \$85 million. Since its inception, IMON has provided financing to over 315,000 micro and small enterprises, equaling an estimated total amount of US \$361 million. Average outstanding loan size was approximately US \$1,060, targeting micro and small entrepreneurs in rural areas. In 2012, IMON’s loan book grew by 50 percent (in USD terms). Approximately 30 percent of IMON’s customers are women, with 55 percent of the total number of loans concentrated in rural areas.

As a proof of its dedication to improve its social performance and increase social indicators, IMON received an “A” rating from Microfinanza, the certified CGAP/WB microfinance rating agency (2009); additionally IMON won a 2011 Platinum MIX Social Performance Reporting Award.

*“IFC’s strategic partnership since 2008 in terms of providing local currency finance, advisory services and aligning interests helped IMON grow into a leading microfinance and microdeposit organization, thus helped the people of Tajikistan fight poverty”.*

*Sanavbar Sharipova, General Manager, IMON*

6. Compounded annual growth rate (CAGR) from six reporting and repeated clients in the CY2004-CY2007 period, seven reporting and repeated clients in the CY2008-CY2010 period, 11 reporting and repeated clients in the CY2011-CY2012 period, excluding greenfield institutions and FIs that are closing their operations.