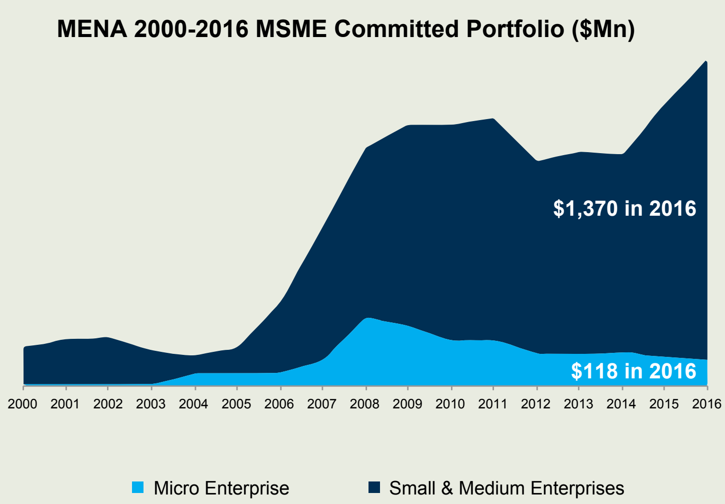
MIDDLE EAST AND NORTH AFRICA

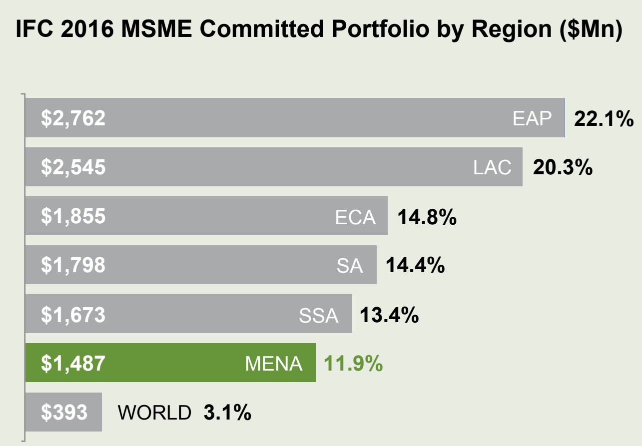
IFC Financing to Micro, Small and Medium Enterprises

Lack of access to financial services is one of the key barriers to the growth of micro, small and medium enterprises (MSMEs), which account for about 90 percent of the businesses and more than 50 percent of employment worldwide.[1] IFC through its network of financial institutions (FI) -- including microfinance institutions, commercial banks, leasing companies -- in more than 100 developing countries, is able to reach many more MSMEs than it could directly.

IFC offers a wide range of financial products and services to its client FIs, including loans, equity, risk sharing facilities, trade finance, working capital loans and advisory services. It also helps to mobilize funding from other FIs and investors. In fiscal year 2016, IFC in Middle East and North Africa (MENA) provided $215 million of long-term finance to client FIs for MSME support. As of June 2016 in MENA, IFC's committed long-term MSME-focused portfolio was $1.5 billion (see Chart 1). In addition, MENA had 21 active MSME-related advisory projects valued at $14.5 million.

Chart 1. FY16 IFC MSME Committed Long-Term Finance Portfolio (USD $ millions)





MENA: ANALYSIS OF MSME REACH FROM IFC FINANCIAL INSTITUTION CLIENTS

Every year IFC requests FI clients to provide IFC with information about their loan portfolio, deposits and other business related data. Through this Reach Survey IFC tracks and analyzes financing outreach to the final recipients, including MSMEs.

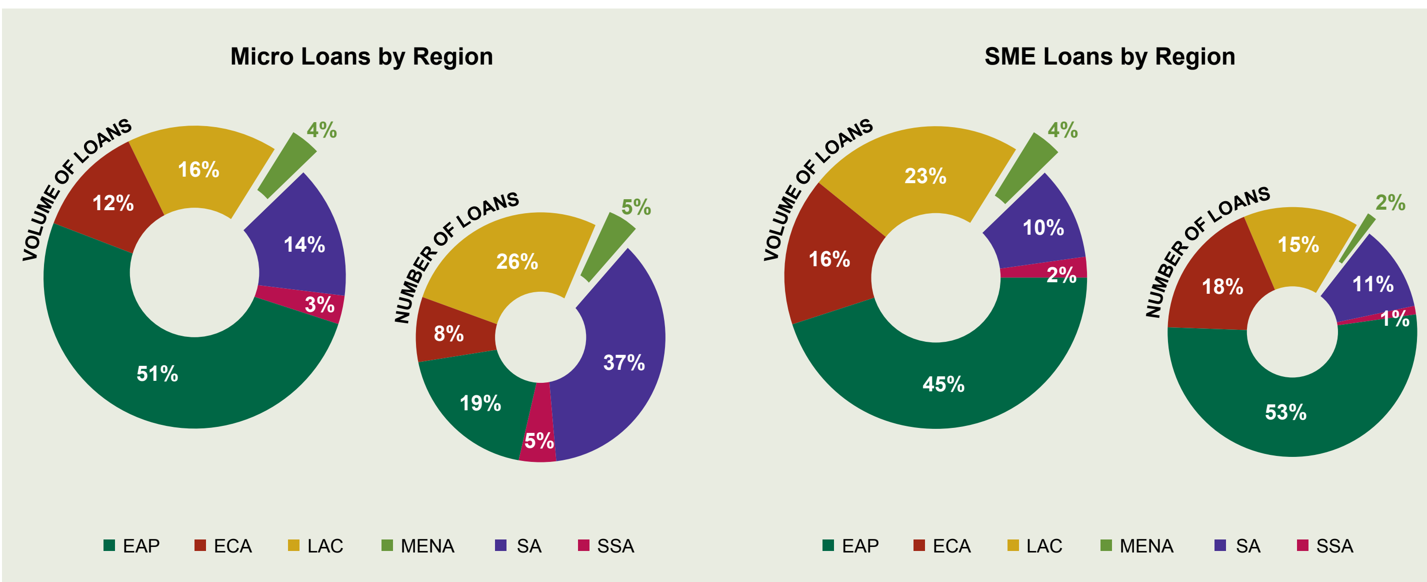
IFC collected and extrapolated 2015[2] data from 38[3] clients in 14 countries in MENA, which had about 6 million loans outstanding worth over $143.6 billion. This included retail, micro, SME and corporate loans. Of these, 34 clients globally received financing for MSME-related activities. Using IFC's proxy SME loan definition,[4] it is estimated that these clients had **2.5 million micro and 146,844 SME loans totaling $16.1 billion.**[5] Table 1 and Chart 2 show regional distribution of micro and small loans by volume and number for all regions.

1. Source: IFC Annual Report (2015).
2. Reach Survey data is based on the calendar year cycle, which ends on December 31st, with the exception of a few clients that provide data based on different fiscal calendar.
3. Out of 38 in MENA, 1 client has loan portfolio extrapolated. There was no extrapolated data among the 34 MSME FI clients.
4. IFC categorizes its clients' sub-borrowers according to the following definitions: (1) micro enterprise have loan < $10,000 at origination; (2) small enterprise have loan $10,000 - $100,000 at origination; (3) medium enterprise have loan $100,000 - $1 million at origination ($2 million for more advanced emerging markets).
5. While numerous controls were performed on the data provided by clients, they are sometimes based on estimates and the understanding of the indicator definitions may vary among clients.

Table 1: IFC FI Clients' Micro and SME Outstanding Loan Portfolio by Region, 2015

Region	Micro Loans		SME Loans		MSME Loans	
	# Millions	$ Billions	# Millions	$ Billions	# Millions	$ Billions
East Asia and the Pacific	9.8	30.2	4.0	154.7	13.9	184.8
Europe and Central Asia	4.2	7.3	1.4	56.0	5.5	63.4
Latin America and the Caribbean	13.1	9.4	1.1	77.3	14.3	86.7
Middle East and North Africa	**2.5**	**2.6**	**0.1**	**13.5**	**2.7**	**16.1**
South Asia	18.8	8.6	0.8	34.9	19.6	43.5
Sub-Saharan Africa	2.7	1.5	0.1	7.2	2.8	8.7
Total Loans	**51.2**	**59.5**	**7.6**	**343.7**	**58.8**	**403.2**

Chart 2: IFC FI Clients' Micro and SME Outstanding Loan Portfolio Distribution (%), 2015



MENA: IFC CLIENTS' MSME LOAN PORTFOLIO BY TYPE OF IFC ENGAGEMENT

IFC places its MSME clients in two categories: FIs supported by IFC in the area of microfinance – clients with microfinance-focused engagements; and FIs supported by IFC in the area of SME financing – clients with SME-focused engagements. In 2015, IFC collected or extrapolated data from 13 microfinance and 21 SME-focused engagements in MENA. SME-focused clients funded about 37 percent of the total number of micro loans representing 65 percent of the total funding for the microenterprises. In addition, 23 percent of clients with microfinance-focused engagement and 38 percent with SME-focused ones received advisory services.

Table 2: Microfinance-Focused Engagements in MENA[6]

	Outstanding Loan Portfolio		Average Loan Size	NPLs
Loan Type	# Millions	$ Billions	$	%
Micro	1.6	0.9	559	1.2%
SME	0.0	0.0	14,598	1.3%
Total	**1.6**	**0.9**	**575**	**1.2%**

Table 3: SME-Focused Engagements in MENA[7]

	Outstanding Loan Portfolio		Average Loan Size	NPLs
Loan Type	# Millions	$ Billions	$	%
Micro	0.9	1.7	1,775	19.8%
SME	0.1	13.5	93,078	15.7%
Total	**1.1**	**15.2**	**13,985**	**16.1%**

Notably, the portfolios of micro and SME-focused engagements were different in terms of loan performance. The clients receiving microfinance focused financing and services reported very low non-performing loan (NPL) levels – 1.2 percent. The NPL level was at 16-20 percent among clients with SME-focused engagements.

MENA: IFC CLIENTS' LOANS TO WOMEN AND WOMEN-OWNED SMES

Gender equality is a fundamental condition for a prosperous and sustainable world; however, in many countries women have lower access to education, employment, business opportunities and financial services, as well as unequal social status and rights. The annual estimated credit gap for women-owned SMEs is about $260-320 billion.[8]

To address this challenge, IFC launched Banking on Women Program that promotes financing for women-owned SMEs. In addition, recently IFC requested clients to report on their loan portfolios to women-owned enterprises. In 2015, 18 IFC FI clients provided gender-disaggregated data in MENA. These clients provided about 42 percent of micro loans by number to women, and 5.5 percent of total SME loans by number to women-owned firms[9] (see Table 4). Non-performing loans of the women borrowers were very low (less than 1 percent) comparing to overall loan NPLs (see Tables 4, 2 and 3).

Table 4: MENA: IFC FI Clients' Loans to Women and Women-owned SMEs

	Number of Loans to Women	Total Volume of Loans to Women	Number of Loans to Women	Total Volume of Loans to Women	NPLs
Loan Type	# '000	$ Millions	% Of total	% Of total	%
Micro	684.5	327.12	41.9%	35.3%	0.8%
SME	0.7	72.59	5.5%	4.6%	0.9%

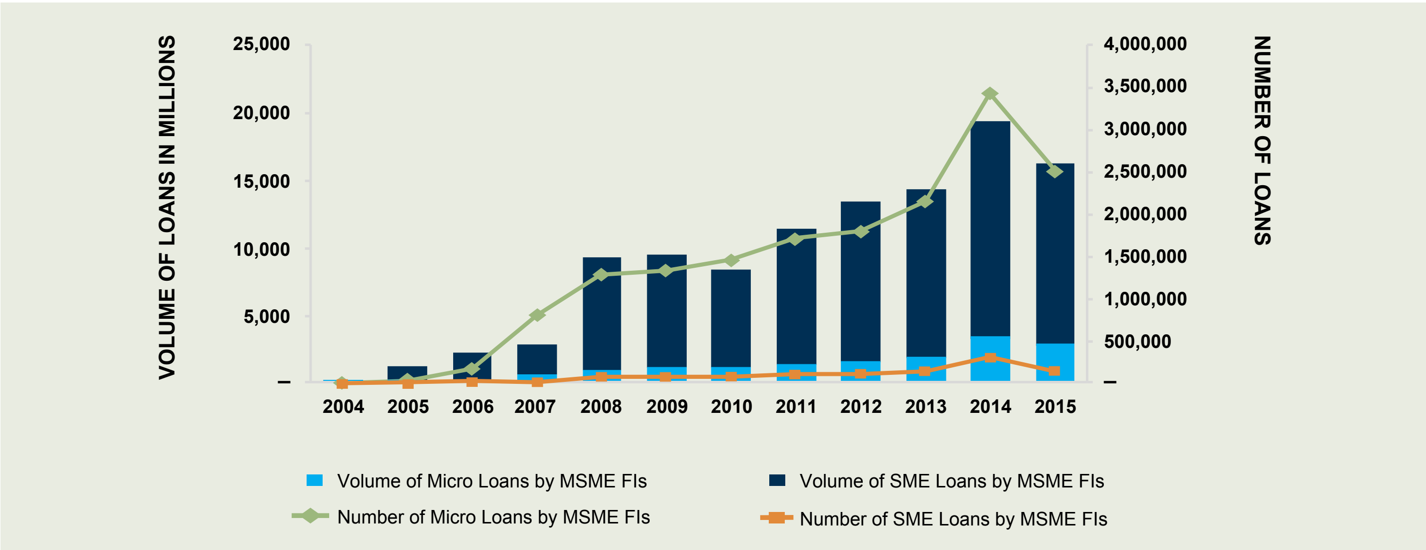
MENA: MSME LOAN PORTFOLIO GROWTH AND DYNAMICS

The volume of micro and SME loans by IFC's portfolio of MSME client FIs has grown consistently over time. Three main factors influence MSME loan portfolio growth: 1) changes in the MSME portfolio among existing IFC clients, 2) entries of new clients, and 3) exits of existing clients, when, for example, IFC clients fully repay their loans. The dynamics of these factors determines the MSME reach growth trends from year to year. Thus, in the post-financial crisis period (2011-2015), the MSME loan portfolio increased 10 percent by number, and 9 percent by volume on a compounded basis.

During 2014-2015, the volume of MSME loans decreased by 17 percent, and the number of loans decreased by 29 percent. In 2015, a new client contributed with 1.3 thousand MSME loans totaling $98 million. Also, 21 MSME-focused clients reported data in 2013, 2014, and 2015. During this period, the number of MSME loans they provided grew by 11 percent and volume increased by 6 percent on a compounded basis.

6,7. Average Loan Size and NPLs do not include extrapolated data.
8. IFC Enterprise Gap Database (2011). http://smefinanceforum.org/data-sites/ifc-enterprise-finance-gap
9. IFC defines women-owned SME as a firm with (a) > 51 percent ownership/stake by a woman/women; or (b) > 20 percent owned by a woman/women AND 1 woman as CEO/COO (President/Vice-President) as well as 30 percent of the board of directors being women where a board exists; and which received loans from $10,000 to $1 or 2 million at origination.

Chart 3. MENA: IFC Clients' MSME Loan Portfolio Growth, 2004-2015



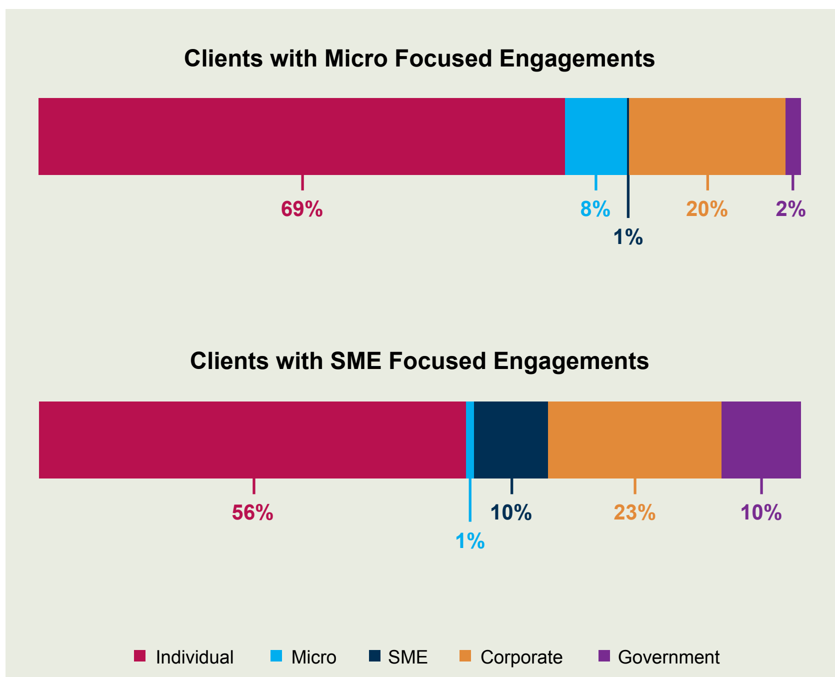
MENA: DEPOSIT AND OTHER TRANSACTIONAL ACCOUNTS

Universal financial access is one of the strategic development goals for the World Bank Group. Financial access may include loans, but can also simply mean someone has access to alternative financial channels (i.e. mobile banking, internet banking) or deposit/saving accounts. The growth of savings accounts is also important as deposits provide major funding source for deposit taking institutions and a safe place to store cash for their clients.

In 2015, 25 clients reported $145 billion in liability accounts, which include current/transactional accounts, interest-bearing deposits, and e-money accounts. In 2014, 20 institutions reported $77.9 billion in liability accounts. Individual accounts hold about 69 percent of the total deposits volume among SME focused engagements and 56 percent among micro engagements.

Chart 4 demonstrates the distribution of the deposits and other transactional accounts by the type of the account owner.

Chart 4. MENA: IFC Clients' Volume of Deposits and Other Transactional Accounts, 2015 (Average Volume Percentage Distribution)



For regional MSME data and data visualization, please visit SME Forum: http://smefinanceforum.org/data-sites/ifc-financing-to-msme

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