



IFC

Financial Institutions Group (FIG)

MSMEs

Industry Context

Micro, Small and Medium-sized Enterprises (MSMEs) are vital to economic growth, job creation, provision of goods and services, and poverty alleviation in emerging markets. MSMEs make up over 90% of all firms and account, on average, for 70% of total employment and 50% of GDP worldwide. The MSME finance gap now stands at \$5.7 trillion – a number that swells to \$8 trillion when informal enterprises are included. In emerging markets, 70% of MSMEs lack adequate financing while 1.7 billion adults lack access to basic transaction accounts. Those without access are largely concentrated in Asia and Sub-Saharan Africa and are disproportionately poor and female.

IFC Strategy and Portfolio

MSME financing is a significant part of IFC's business.

IFC works across emerging markets to improve financial infrastructure and scale new tools to deliver impactful financial products and services for MSMEs. Working through financial intermediaries, IFC provides access to finance for millions of MSMEs that would be challenging to reach directly. IFC has launched innovative and complementary platforms targeting MSMEs, including enhancing bank risk appetite for SME on-lending, supporting micro-borrowers, increasing access to trade finance, and support to supply chain finance.

IFC enables digital and embedded financial service providers to better serve MSMEs by partnering with innovative banks, FinTechs, and digital platforms. IFC also works with financial intermediaries to provide training, mentoring, networking, and access to markets. These non-financial services have been shown to benefit the MSMEs as well as the financial institutions that serve them, and are particularly impactful for women entrepreneurs who face constraints related to knowledge and networking.

FIG'S COMMITTED MSME PORTFOLIO

\$18 billion 

FIG'S IMPACT

 **74 million**
loans to MSMEs

IFC's committed MSME portfolio is approximately \$20 billion, of which FIG accounts for \$18 billion. FIG boosts financing dedicated to MSMEs through equity, debt, and risk sharing facilities that support financial institutions' lending to MSMEs.

Strategic Initiatives



BASE OF THE PYRAMID (BOP) PLATFORM

Launched in FY21 and extended in FY23, the BOP Platform is a \$1 billion facility for financial service providers that serve MSMEs, supporting economic growth, job creation, and a more resilient economy. The Platform is supported by the IDA Private Sector Window (PSW) pooled first loss guarantee and the IDA PSW Local Currency Facility to help provide local currency solutions in eligible countries. As of January 2024, IFC committed 54 BOP projects totaling \$826 million, out of which \$509 million with a gender lens.



SMALL LOAN GUARANTEE PROGRAM (SLGP)

In April 2018, IFC established the SLGP, a programmatic approach to unfunded risk sharing which aims to enhance and strengthen the capacity of financial institutions for risk taking and financing to SMEs/Very Small Enterprises in IDA PSW eligible countries. The SLGP uses a pooled first loss structure provided by the IDA PSW Blended Finance Facility, and incorporates product enhancements to offer more efficient, competitive, and scalable risk sharing facilities. As of June 2023, the SLGP has supported a total of 5,317 loans to SMEs totaling \$435 million across 14 countries, focused on bridging financing gaps for businesses operating in the most challenging environments.



THE GLOBAL SME FINANCE FACILITY

The Global SME Finance Facility (GSMEF) is a partnership focused on helping to close the financing gap faced by SMEs in emerging markets. By providing investment and advisory services to financial institutions, the Facility helps them expand lending to SMEs in challenging markets and segments. The Facility focuses on the most underserved SME segments that are not normally reached by financial institutions. These include SMEs in fragile countries, Very Small Enterprises, climate-smart SMEs, and women-owned SMEs. In addition, the Facility aids governments to improve their nations' financial infrastructure, thus enabling capital to flow more efficiently to SMEs. As of June 2023, the program has committed \$140 million to 196 investment and advisory services projects in 43 countries, of which 28% are fragile and conflict-affected states.

Investment & Advisory Examples



AL BARAKA BANK IN EGYPT

IFC's \$50 million investment in Al Baraka Bank Egypt will enable the bank to increase financing to thousands of small and medium businesses across a wide range of sectors including tech, transport, communications, health, and others, with at least 25% of lending earmarked for women-owned SMEs. As part of the investment, IFC will provide support to Al Baraka Bank to develop and implement an environmental and social management system.



BANQUE DE CRÉDIT DE BUJUMBURA (BCB) IN BURUNDI

MSMEs account for more than 90% of firms in Burundi and face a financing gap of approximately \$491 million. To help meet growing demand, IFC provided BCB with a \$20 million loan, of which \$10 million is mobilized from institutional investors, to support BCB's strategy to grow its MSME portfolio and become the leading bank serving small and informal businesses in Burundi. The loan is supported by the Base of the Pyramid Platform.



BANCO ATLAS IN PARAGUAY

IFC's \$50 million loan to Banco Atlas will finance SMEs in Paraguay, with at least 25% earmarked for women-owned businesses and informal enterprises. The project will help build capacity and demonstrate to other financial institutions the financial viability of lending to WSMEs. IFC will also help identify opportunities and support a strategic approach to reaching more women customers.



SIDDHARTHA BANK LIMITED (SBL) IN NEPAL

SMEs account for 22% of Nepal's GDP and employ more than 1.8 million people, yet the SME financing gap stands at around \$3.6 billion. IFC's \$55 million loan to SBL is IFC's largest investment in the country and will enable the bank to increase its on-lending to SMEs and WSMEs, especially in remote and rural areas, supporting up to 15,000 jobs. IFC will also support SBL's effort to identify and evaluate green lending opportunities, and provide advisory assistance designed to further strengthen the bank's operations.