



**International
Finance Corporation**
World Bank Group

IFC & Microfinance Global Overview and Strategic Directions

Phnom Penh, Cambodia
August 2009

INTERNATIONAL FINANCE CORPORATION (IFC)

- IFC is the private sector arm of the World Bank Group and has 181 member countries
- The corporation aims to strengthen the private sector in developing countries through loans, equity, structured finance and advisory services, among others.
- IFC's mission is to promote sustainable investment in developing countries, reducing poverty and improving people's lives through:
 - Financing private sector investment
 - Mobilizing private capital in local and international financial markets
 - Providing advisory and risk mitigation services to businesses and governments
- In FY08, IFC committed US\$11.4 billion and mobilized an additional US\$4.8 billion through loan participations and structured finance for 372 investments in 85 developing countries.
- IFC will typically contribute 5%-20% in equity investments and maintain the investment for 8 to 15 years.
- IFC is profit oriented, charging market rates for its products and services.
- IFC's bonds are in strong demand all over the world and are assigned the highest rating (AAA/Aaa) by Moody's, S&P and Fitch.

Objective: Expand Range & Volume of Sustainable Microfinance



**Strong IS + AS
= Sustainable MFIs**

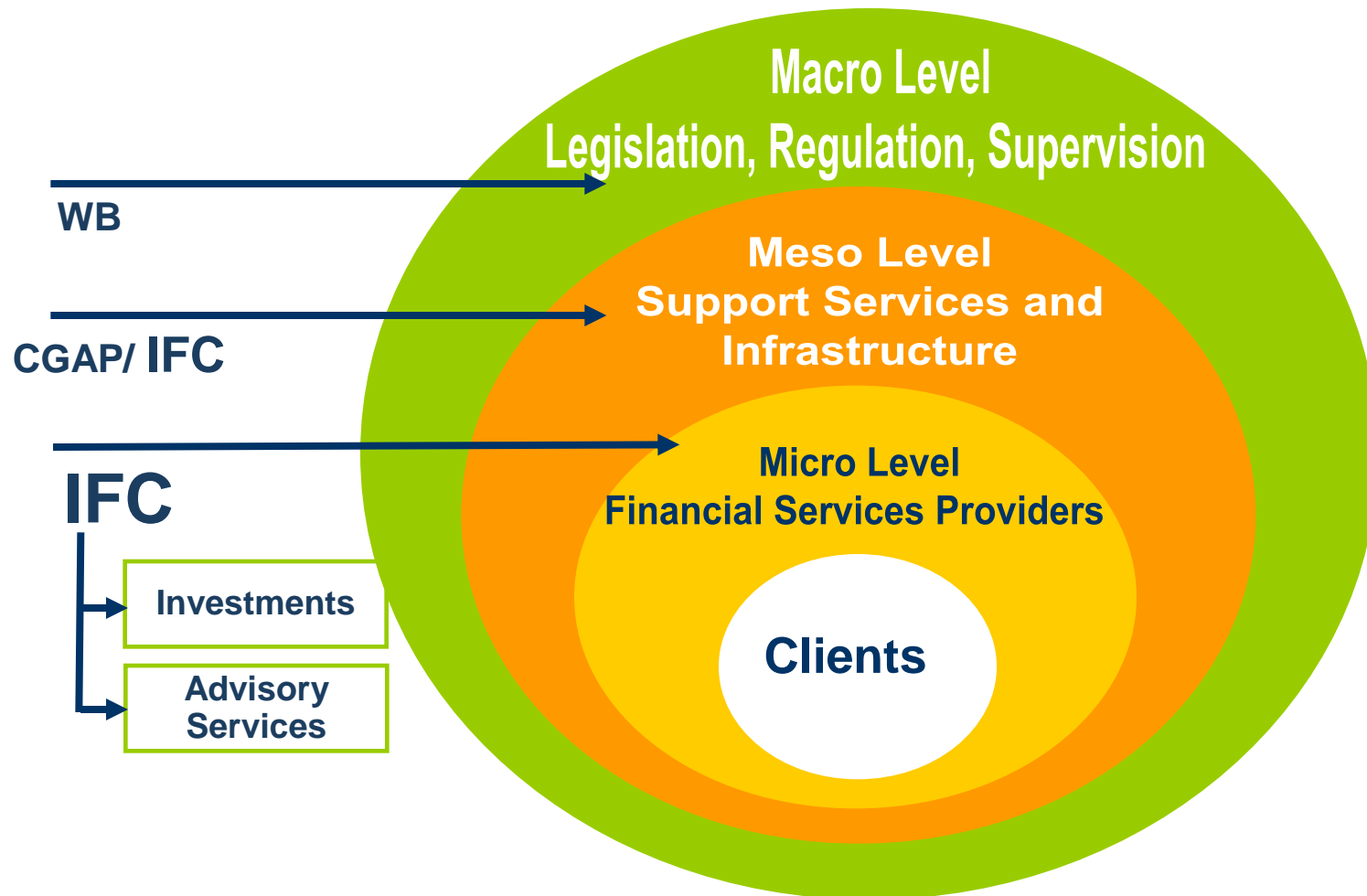
**private capital invests only
in profitable businesses**

**private sector resources vital for large
scale sustainable microfinance**

**only large scale initiatives = significant range & volume =
meaningful development impact**

**5% of global demand met. 2.5 billion people need A2F.
\$300 billion unmet demand for credit, savings, transfers/payment services**

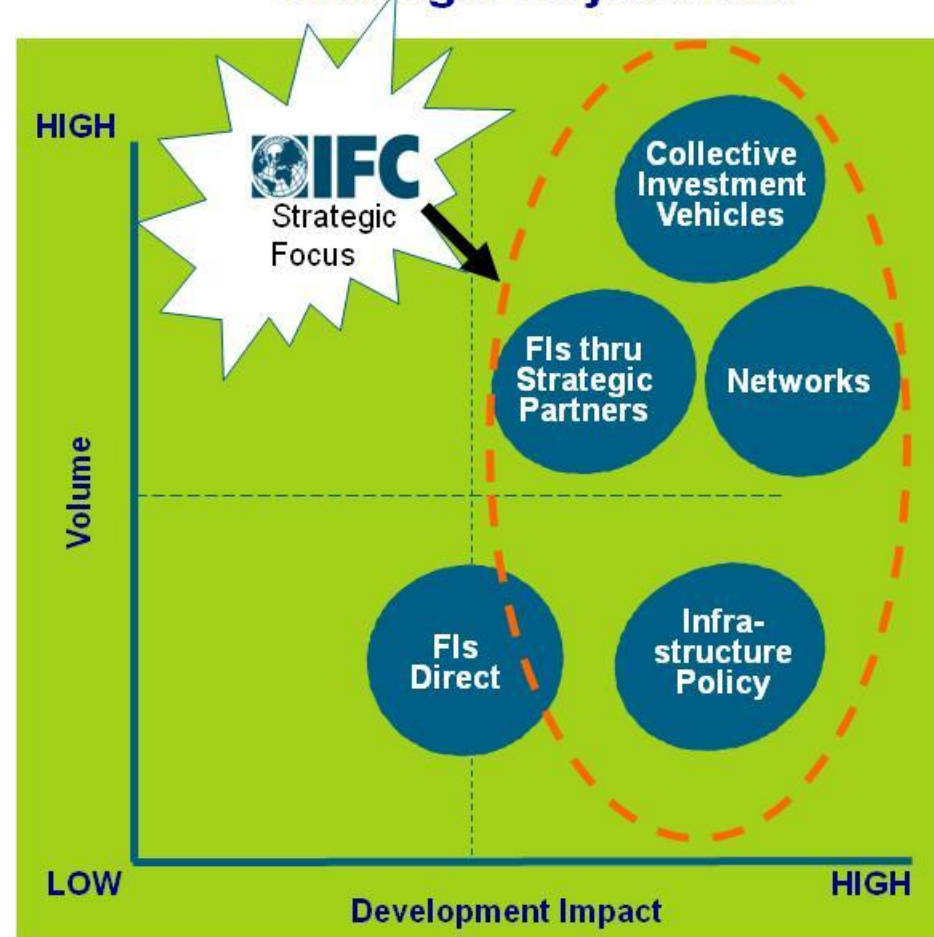
Working with IBRD and CGAP to Achieve Impact



Four Key Strategic Solutions

1. Promoting collective investment vehicles (structured finance, debt and equity funds)
2. Developing microfinance network partners
3. Supporting individual financial institutions through strategic partnerships (i.e., MIFSSA - IFC/KfW program in Africa developing greenfields)
4. Engaging in selected advisory services projects at the institution, financial infrastructure, and policy levels

Strategic Objectives:

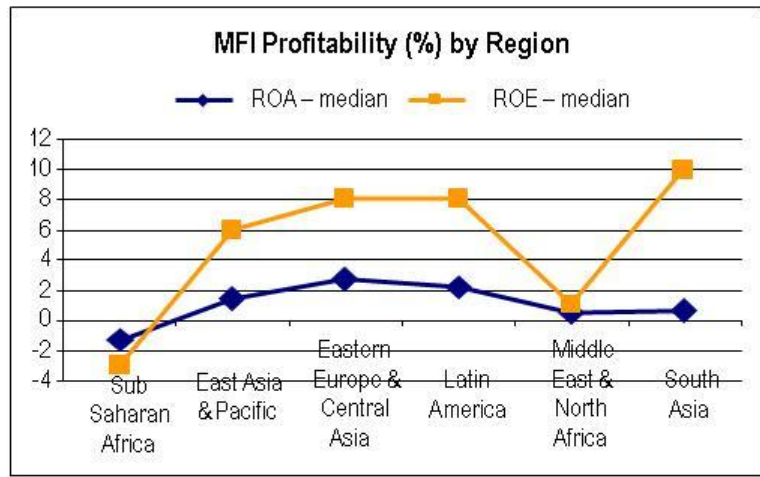
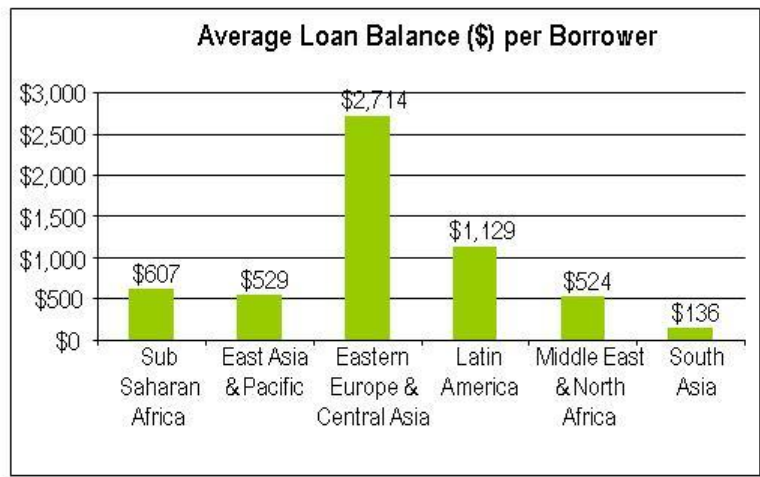
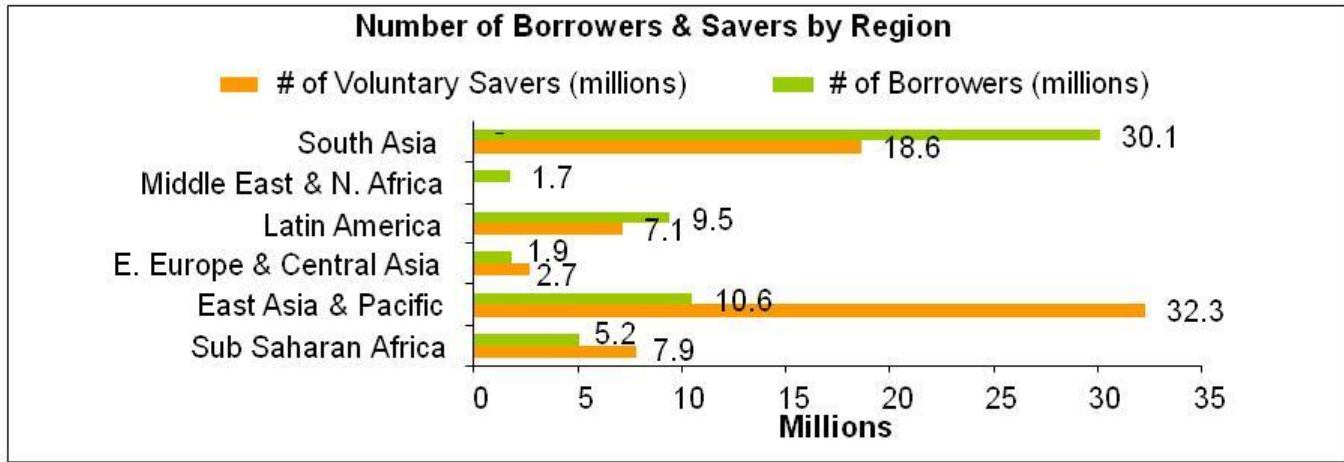


IFC Microfinance Committed Portfolio



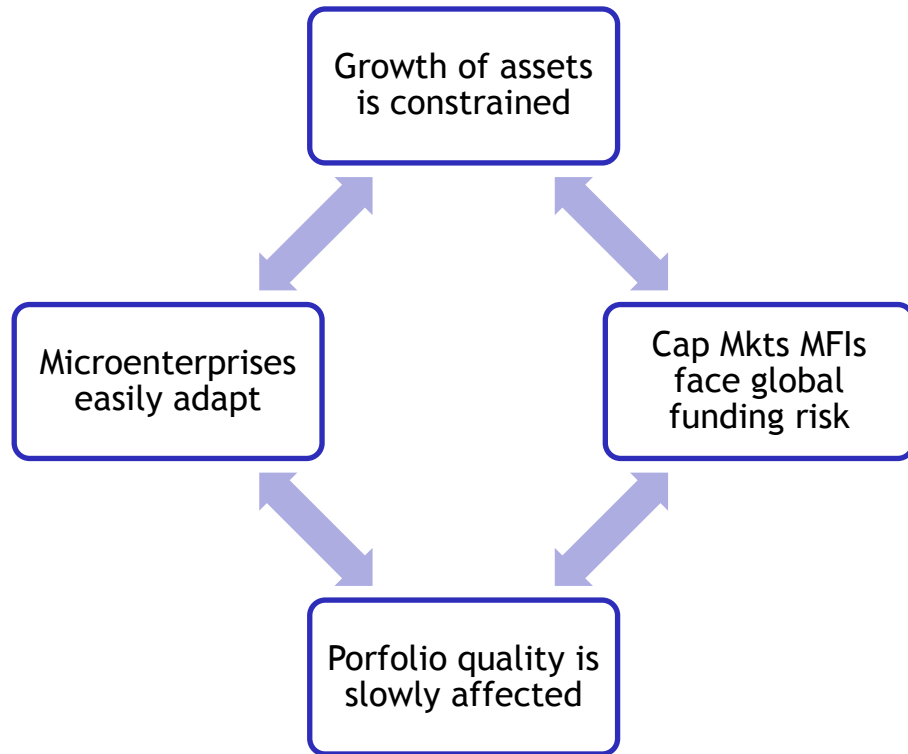
- In FY08, it is estimated IFC served over 20 million clients
- It is estimated that 65% of borrowers are women
- At June 2009, IFC committed portfolio is over \$1.2 billion in over 140 MFIs in 60+ countries
- Over \$70 million in Advisory Services for 45% of MFI clients

Microfinance Industry Overview (2006)



Source: Based on data from MIX Publications. "Selected Microfinance Indicators – 2006." May 5, 2008.
 Underlying data available online at: <http://www.mixmbb.org/Publications/001-IND/02-IND.DAT/MFI%20INDUSTRY%20DATA%20SETS/Selected%20MF%20Indicators.pdf>

Global Financial Crisis - Microfinance Resilience?



- **ASSET SIDE:** a micro-entrepreneur can quickly shift its business line from shoemaker to neighborhood kitchen
- **LIABILITY SIDE:** MFIS integrated with local and international capital markets will face funding constraints, mostly in 2010
- **Lack of continued funding** translates into curtailed portfolio growth
- There is an **overall trend of slowly creeping NPLs**, although much more contained than for banks

- **Unethical and exploitative business practices** against consumers contributed to the crisis (example: sub-prime mortgage market in the U.S.)
- **Lack of transparency and disclosure** made it difficult to evaluate and price risk throughout the financial system
- Consumers did not understand credit terms and too often became over-leveraged (**over-indebted**)

New Impetus for Responsible Finance

IFC Microfinance Strategy for Responsible Finance includes:

- 1. Ensure client MFIs are lending for productive economic activities and not for unnecessary consumption that unduly increases indebtedness**
- 2. Ensure clients comply with IFC Exclusion List**
- 3. Ensure transparent practices (e.g. publication of effective interest rates)**
- 4. Emphasis on portfolio quality, thus discouraging reckless lending**

IFC targets MFI partners that have a commercial outlook in lending and are looking to develop long-term relationships with borrowers and facilitate growth of their productive activities.