IFC

Financial Institutions Group (FIG)

MSMEs

As of September 2024

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.

FIG MSME COMMITTED PORTFOLIO

$18 billion

FIG IMPACT & REACH

65 million
loans to MSMEs

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 boosts financing dedicated to MSMEs through equity, debt, and risk sharing facilities that support financial institutions' lending to MSMEs.

Strategic Initiatives

MSME Finance Platform

In May 2024, IFC launched the MSME Finance Platform, a new financial package of up to $4 billion from IFC's own account to help financial service providers deliver funds to MSMEs in emerging markets. This new platform will utilize various forms of credit enhancement to mobilize private capital, including an innovative Catalytic First Loss Guarantee aiming to crowd in an additional $4 billion in financing. The platform will be supported by the International Development Association's Private Sector Window (IDA PSW), the Global SME Finance Facility (GSMEF) and the Women Entrepreneurs Opportunity Facility (WEOF).

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. The SLGP has supported a total of 5,949 loans to SMEs totaling $527 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. 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.

Project Examples

IPAK YULI BANK (UZBEKISTAN)

IFC is providing a syndicated loan of up to $42 million, aimed at increasing access to financing for smaller businesses and women entrepreneurs across Uzbekistan. With 25 percent of the funding earmarked for women-run businesses, this initiative is part of IFC's broader effort to drive inclusive economic growth and empower small-scale entrepreneurs. The loan is the first tranche of a larger financing package totaling up to $72 million. In addition to the financing, IFC will provide strategic advisory support to Ipak Yuli Bank. This assistance will focus on helping the bank enhance its product and service offerings to better meet the needs of MSME clients, including women-owned MSMEs, and drive sustainable growth. IFC mobilized $32 million from three private capital sources:

- MCPP III: $10 million (insuring 50% of IFC's A Loan of $20 million)
- B1 Loan: $22 million, from two participants, ILX Fund I (Sub-Fund A, Sub-Fund B, and Sub-Fund C) and IIV Mikrofinanzfonds

BANQUE DE CRÉDIT DE BUJUMBURA (BCB) (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.

KAZMICROFINANCE (KMF) (KAZAKHSTAN)

IFC is investing up to $50 million in KazMicroFinance (KMF), one of Kazakhstan's leading microfinancing institutions, to expand support for MSMEs with a particular focus on women entrepreneurs and rural agribusinesses. KMF, a longstanding IFC partner, operates 18 branches and 117 sales points across Kazakhstan. Over 55 percent of its borrowers are women and 67 percent live in rural areas. IFC's investment will boost access to much needed financing for MSMEs across the country, and specifically for women entrepreneurs and rural agribusinesses. IFC will also continue to support KMF's ambitious transformation into a bank with a strong MSME focus. This transformation will enable KMF to introduce new transactional and savings products including cards, deposits and transfers; to adopt new sales model; to introduce a full-fledged e-banking service, and implement global environmental, social, and governance best practices.