



09

EVALUATION OF **IDB GROUP'S WORK** THROUGH **FINANCIAL** **INTERMEDIARIES**

OVE SURVEY OF FI CLIENTS

See all background papers

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| 01. SME FINANCE | 07. BENCHMARKING OF DEVELOPMENT
FINANCE INSTITUTIONS |
| 02. TRADE FINANCE | 08. OVE SURVEY OF IDBG STAFF |
| 03. HOUSING FINANCE | 09. OVE SURVEY OF FI CLIENTS |
| 04. LEASING AND FACTORING | 10. IDBG EXTERNAL FEEDBACK
SURVEY FOR FI CLIENTS |
| 05. GREEN LENDING | 11. COUNTRY PROFILES |
| 06. ENVIRONMENTAL
AND SOCIAL SAFEGUARDS | |



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Sample Description

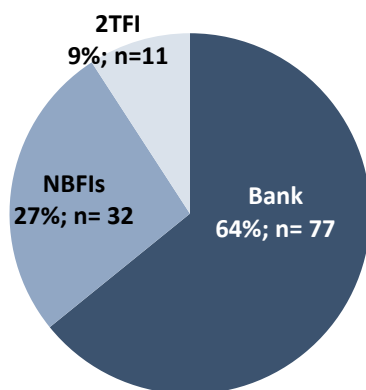
Sample: 120 of 235 FIs that had operations with IDBG between 2005 and 2014.

Dates of survey: Oct. 2015 to Jan. 2016.

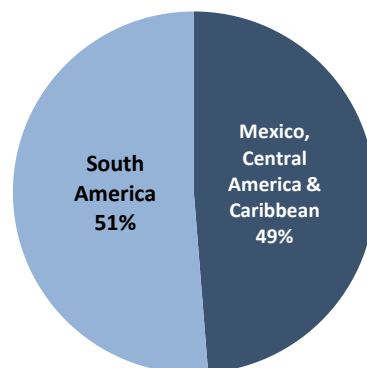
Methodology: Telephonic interviews with FIs' senior management conducted by consulting firm D'Alessio IROL.¹

Classification of Respondents:

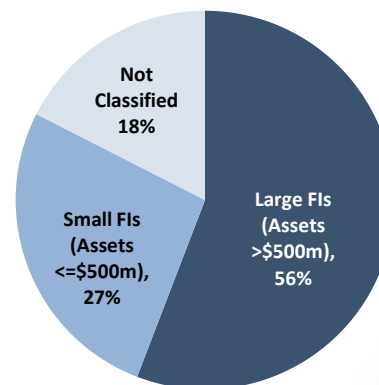
Distribution by type of FI



Distribution by Region



Distribution by Size



¹ D'Alessio IROL is an external consulting firm that has over 10 years of experience working with FELABAN and MIF surveying FIs to obtain information about A2F for MSMEs.

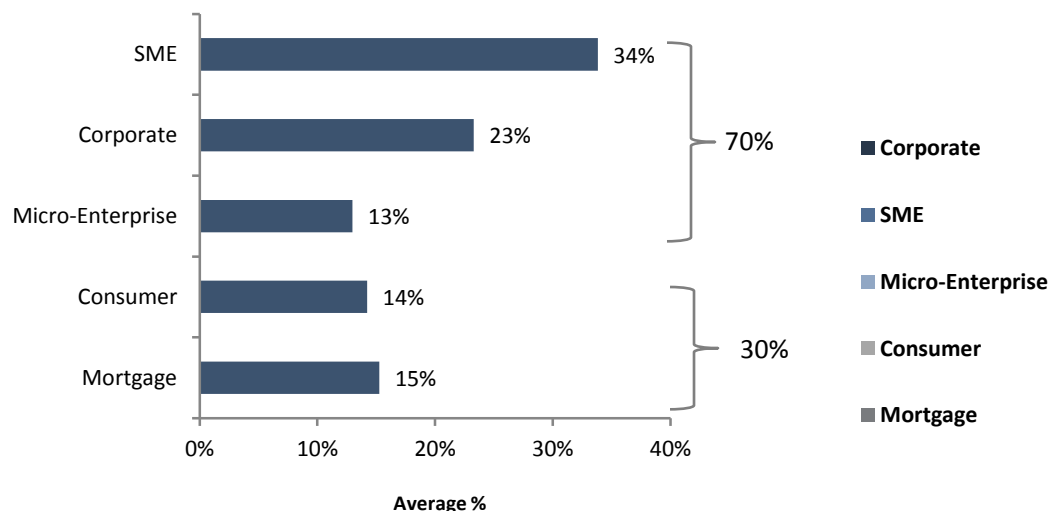
Survey Objectives

- Assess IDBG's client FIs' current business and business priorities with the purpose of understanding the main challenges and potential for IDBG's contribution.
- Evaluate the relevance and performance of IDBG compared to other DFIs in working with partner FIs.

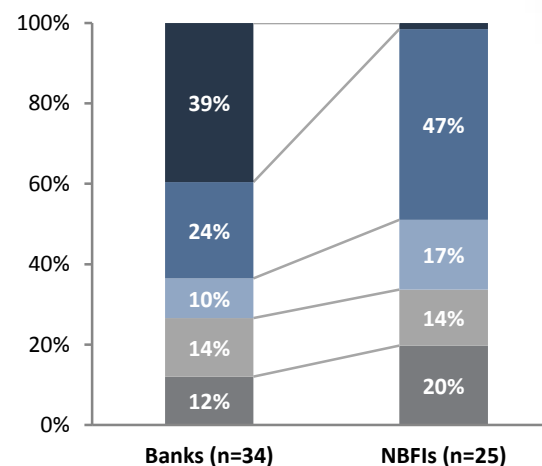
FIs' current business and strategic priorities

FIs' business segmentation

Business segments (n=59)



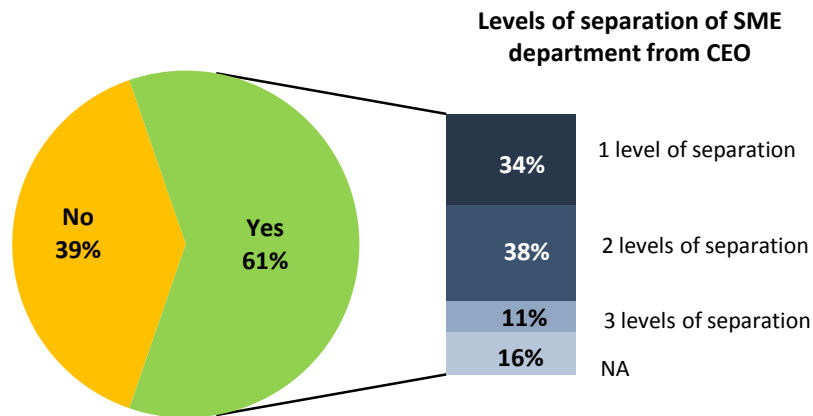
Business segments by type of FI



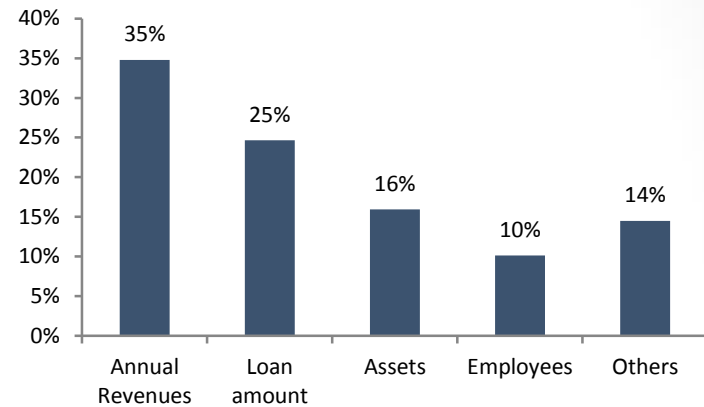
- Most surveyed **FIs focus on enterprises (70%)** over **retail (30%)**. This is in part explained by IDBG's own focus on these segments and client selection (e.g., specialized banks and NBFIs).
- **Banks tend to focus on the corporate segment (39%),** while **NBFIs focus on MSMEs (64%).**

FIs' segmentation of SMEs

FIs' with exclusive SME dept. (n= 71)



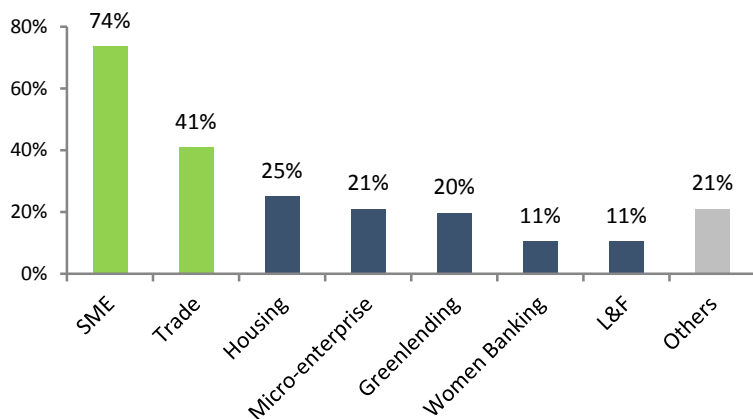
FIs' criteria to define SMEs (n= 69)



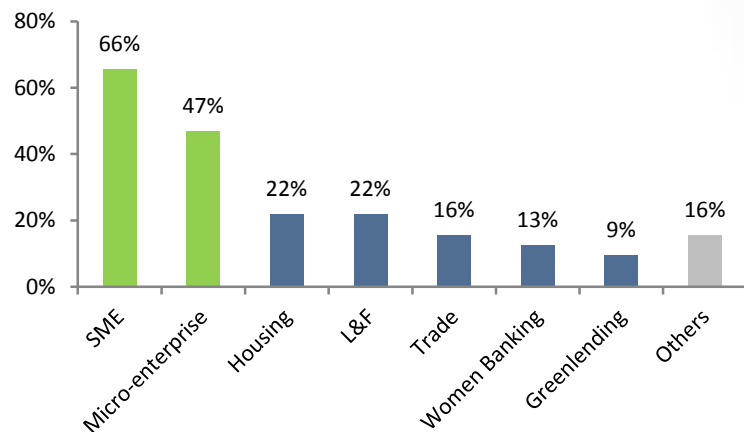
- The **majority of FIs have an exclusive SME department**. However, only about a third of them (34%) have this department report directly to the CEO.
- When defining the segment, FIs use mostly **revenues (35%)** and **loan amount (25%)** as reference, to a lesser extent **assets (16%)** and **number of employees (10%)**.

FIs' business priorities

Priorities for Banks (n=76)



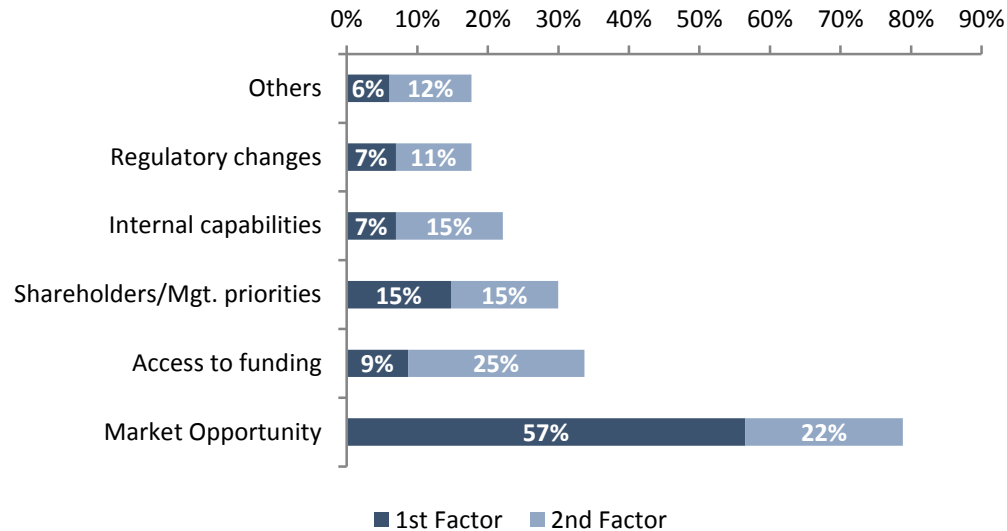
Priorities for NBFIs (n=32)



- **SMEs** are a strategic priority for **most** of the surveyed **FIs** (banks: 74%; NBFIs: 66%).
- For **banks**, **trade finance** (41%) is the **second** priority after SMEs.
- For **NBFIs**, **micro-enterprises** (47%) are the **second** priority after SMEs, in line with their business model (many of them are microfinance institutions).

Factors driving FIs' strategic priorities

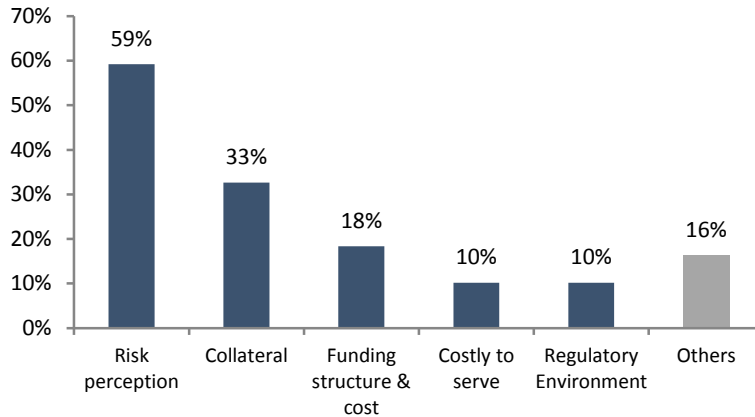
First and second factors driving strategic priorities (n=112)



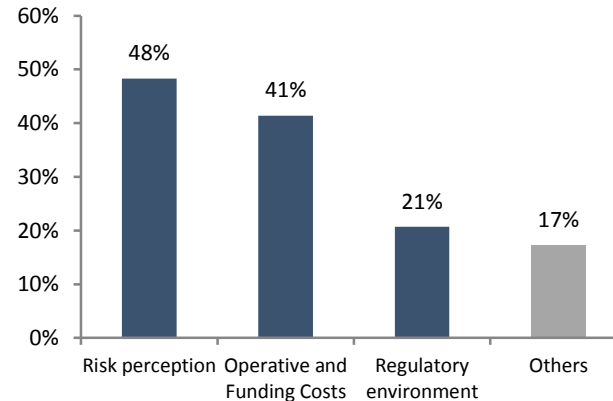
- **Market opportunity** is the **main driver** of surveyed FIs' **strategic priorities**.
- **Access to funding** and **shareholders/mgmt. priorities** are the **second** and **third most important drivers** of strategic priorities.

Challenges in serving priority business segments

SMEs (n=49)



Micro-Enterprise (n=29)



* Open-ended questions, classified by OVE

SMEs

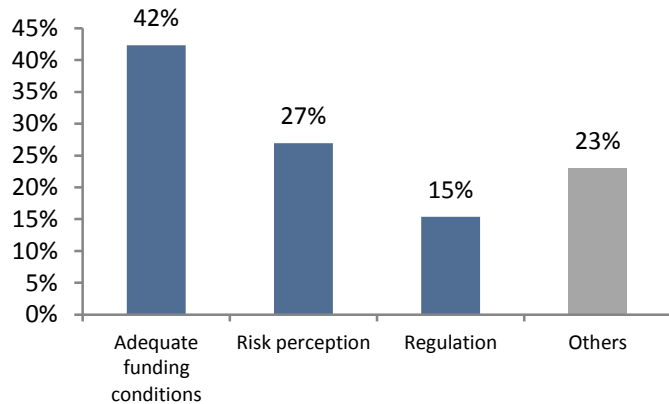
- FIs that prioritize **SMEs** considered **high risk perception (59%)** as the **biggest challenge** in serving them; **mostly due to SMEs' informality**, particularly due to the lack of reliable financial information.
- **Lack of collateral (33%)** and **adequate funding structure and cost (18%)** are secondary constraints.

Micro- Enterprises

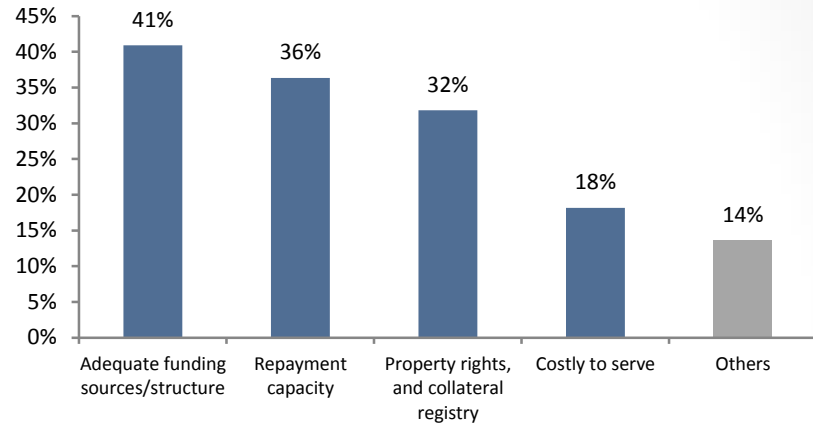
- For micro-enterprises, FIs also perceive that the segment's **risk is the most important challenge (48%)**; again FIs pointed to **informality** and **lack of credit history** as the main reasons.
- For this segment, FIs also list **operative and funding costs** as a **relevant constraint (41%)**.

Challenges in serving priority business segments

Trade Finance (n=26)



Housing (n=22)



* Open-ended questions, classified by OVE

Trade Finance

- The majority of surveyed FIs interested in providing **trade finance** considered **lack of adequate funding (42%)** as the biggest challenge.

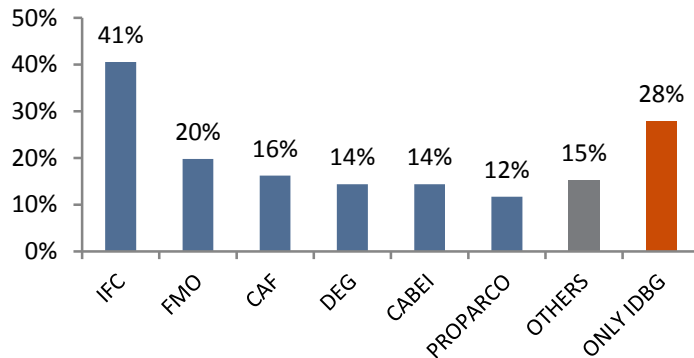
Housing

- For FIs serving the **housing segment**, the **most important constraints are**:
 - **Adequate funding (41%)**, especially with longer tenors.
 - **Homeowners' repayment capacity (36%)**, especially the capacity of providing a down-payment.
 - **Property rights and adequate collateral registries (32%)**.

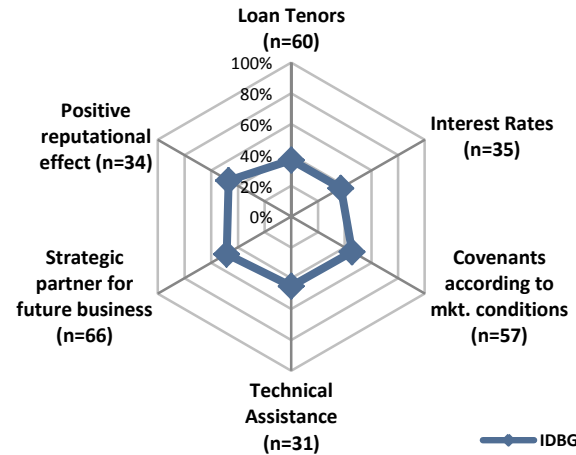
Comparison of DFIs' work with FIs

Comparison with other DFIs

Other DFI Partners



Feedback on IDBG additionality

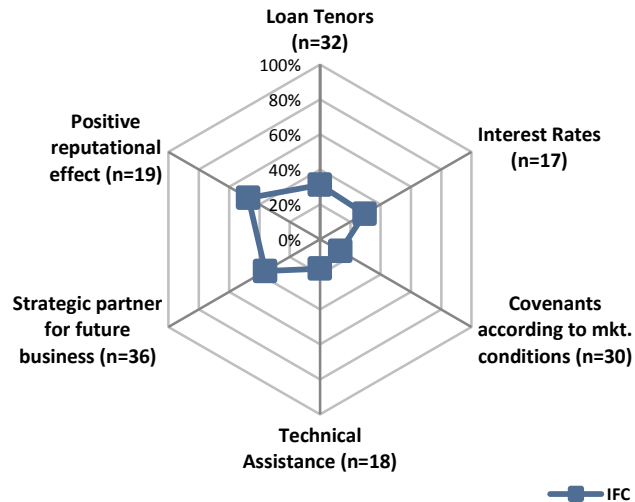


Scale: % of FIs rating a IDBG as the best compared to others

- **28%** of surveyed FIs **only** had operations with **IDBG**.
- Many FIs **also work with IFC (41%)**. European DFIs (**FMO, PROPARCO, DEG**) and regional development banks (**CAF and CABI**) also have an **important participation**.
- **IDBG** obtained a **relatively stable ranking** in all assessed attributes (**about 40%**). IDBG had higher rankings as a strategic partner (48%), providing positive reputational effect (47%) and in covenants being adequate for market conditions (46%). IDBG ranked lower in financial additionality: loan tenors (37%) and interest rates (37%).

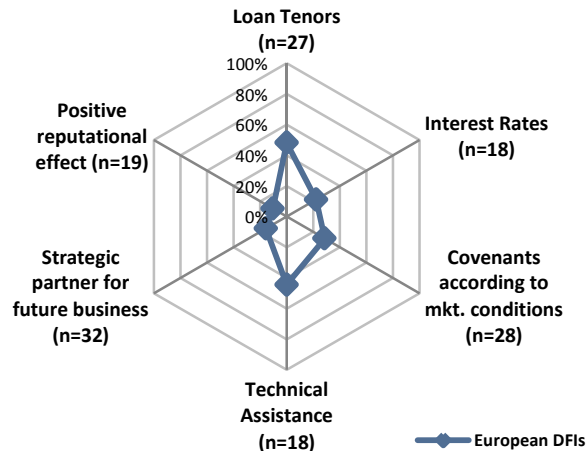
Comparison with other DFIs

IFC



- FIs that also had operations with IFC considered that its relative **strength** is the **contribution to FIs' reputation** (47% rated IFC as the best), and as a **strategic partner** (36%).
- IFC ranked lower in **appropriateness of covenants** and **technical assistance**

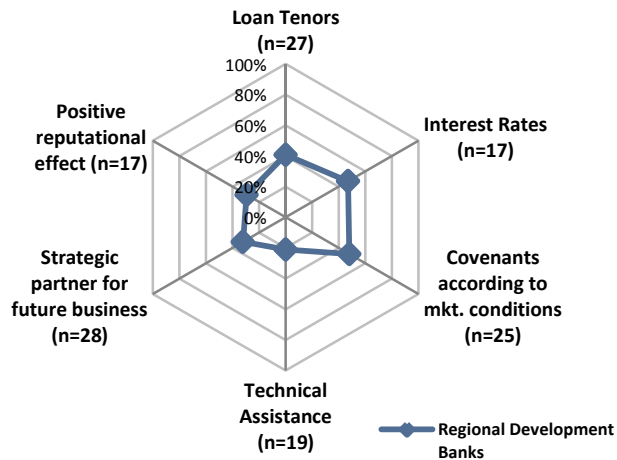
European DFIs: FMO, PROPARCO, DEG



- FIs that also had operations with European DFIs ranked them higher in the provision of **tenors** (48% rated them as best) and **technical assistance** (44%).
- However, they ranked **significantly lower** in the perception of **positive reputational effects** and as **strategic partners** for future business.

Comparison with other DFIs

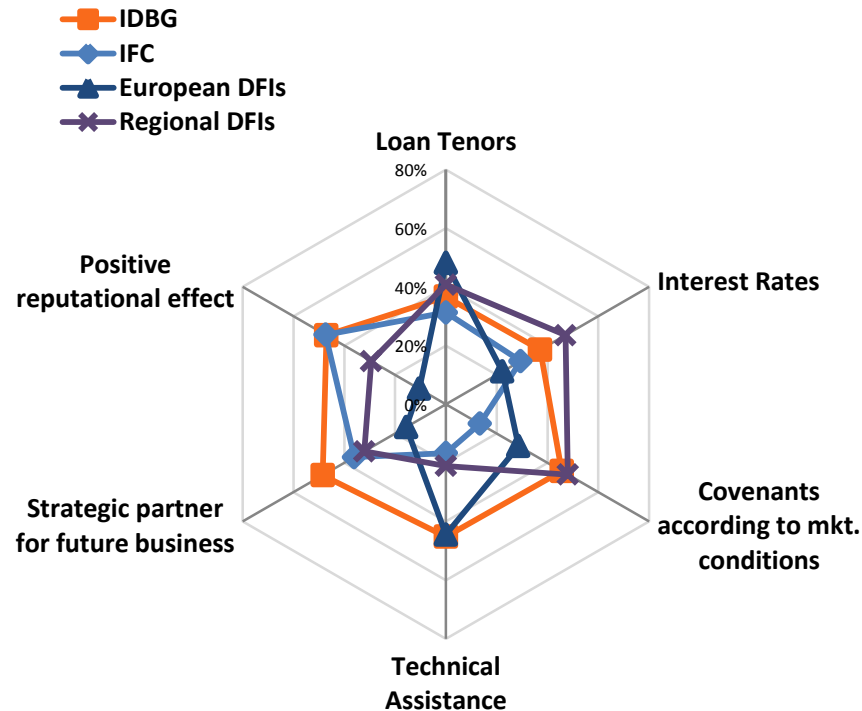
Regional development banks: CAF + CABI



- Clients of regional development banks considered them to perform **best** in terms of **interest rates** (47%), and **appropriateness of covenants** (48%).
- They ranked **lowest** on **technical assistance** (21%) and **reputational effect** (29%).

Comparison with other DFIs

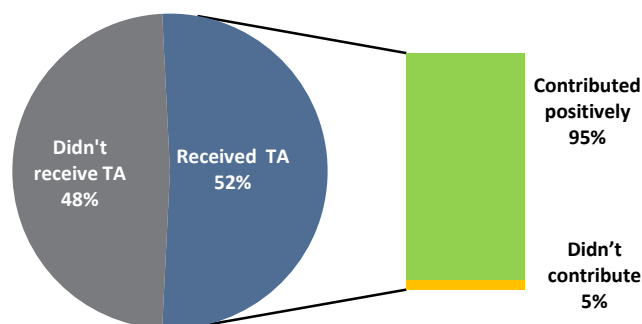
IDBG compared to other DFIs



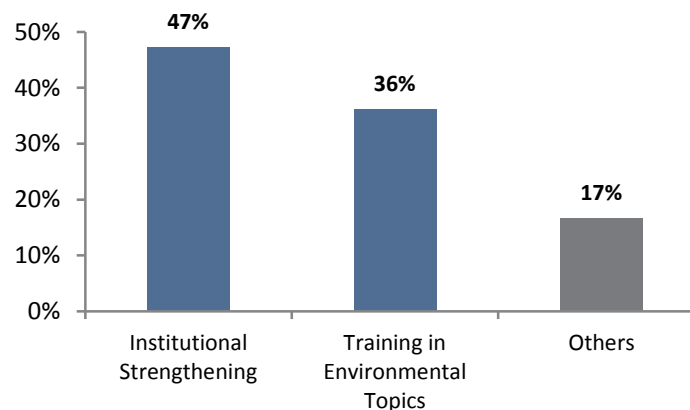
- Compared to other DFIs, **IDBG** was **rated better as a strategic partner** (48% of FIs rated IDBG best).
- IDBG was **tied with** the respective **best-rated** other DFI in terms of **reputational effects, covenants and technical assistance**.
- IDBG was rated slightly **lower than regional DFIs** in terms of **interest rates and tenors**; for the latter, **European DFIs** were ranked best.

Feedback on IDBG's Technical Assistance

Feedback on IDBG's TA (n=95)



Perceived areas of contribution (n=36)



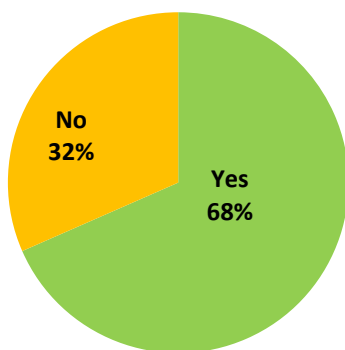
- About **half the FIs (52%) received technical assistance (TA)**, and of those the great majority **(95%) considered that the TA contributed** to the improvement of their capacities.
- Surveyed FIs considered that IDBG's support mostly contributed to:
 - **Institutional strengthening (47%)**, including contributions to *corporate governance*, improvement of *IT systems*, and support in *risk assessment*.
 - **Training in environmental topics (36%)**, including *managing environmental risk* and providing support for *green-lending*.

Responses on Fls' E&S practices

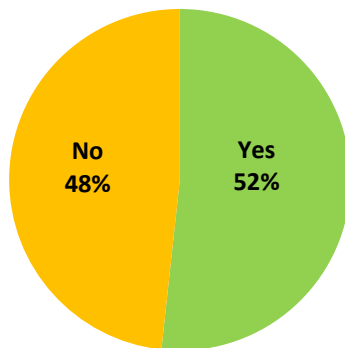
Responses on FI's E&S risk management system

Prevalence of E&S risk mgmt. system

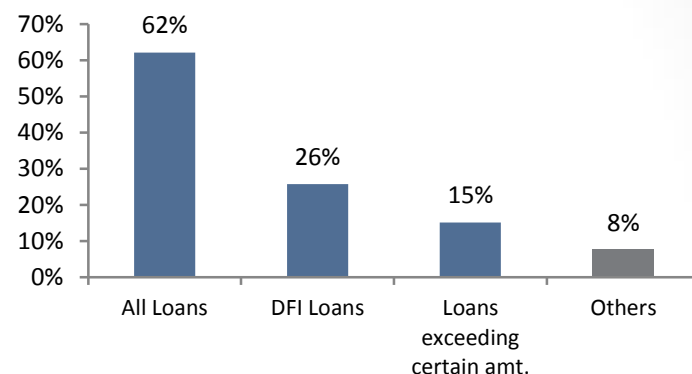
Banks (n=76)



NBFIs (n=29)



Scope of application of E&S system Banks + NBFIs



Note: More than 1 answer is possible

- The **majority of FIs** (banks + NBFIs) have **E&S risk management systems** in place; the proportion of **banks (including 2TFIs)** is higher (**68%**) than **NBFIs (52%)**
- **Most FIs** apply the **E&S risk management system** to **all loans (62%)**, but a significant minority applies it only to **DFI loans (26%)** or **loans exceeding a certain amount (15%)**. The selective application of the system to certain loans may be a transitory situation while the FI develops the full system.

