Established 1997

DB Microfinance Development Fund

A Decade in Perspective

This study aims to assess the extent to which the Deutsche Bank Microfinance Development Fund, in its first ten years of operation, achieved its mission of expanding access to local commercial funding by microfinance institutions (MFIs) worldwide.

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www.dbmdf.org

FOREWARD

Democratizing financial services for the least advantage citizens and communities has always been a high priority for me both personally and professionally. While I have been privileged to advance this commitment within the public sector, I am especially pleased that I have had the opportunity to demonstrate, through my positions in the private sector, that serving all communities with credit opportunities is sound and good banking.

During my tenure as Vice Chairman of Bankers Trust Company (now Deutsche Bank) I was able to lead the bank's commitment to the then nascent microfinance sector with the establishment of the Deutsche Bank Microfinance Development Fund (DB MDF). Back in 1997, it was a bold gesture to organize a commercial bank led fund to provide debt to microfinance institutions throughout the developing world. I had the distinct honor of launching the Fund at the first Microcredit Summit in New York City with Nobel Prize Winner Dr. Muhammad Yunus.

I could not be more proud of the great accomplishments that DB MDF has gone on to realize. This pioneering fund not only proved that the microfinance sector was viable for investment and could operate at scale, but that the best institutions can bring about great benefits for their clients and communities. DB MDF continues to serve those microfinance institutions that are at the cutting edge of innovation in reaching isolated communities operating in some of the harshest environments in the world.

Gene Ludwig

Chief Executive Officer,
Promontory Financial Group
Former Comptroller of the Currency of the United States

FOREWARD

As the field of philanthropy continues to evolve, I am most excited by its potential to propel market forces to bring lasting and sustainable opportunities to those people and places most in need. If we are serious in our commitment to realize the Millennium Development Goals established by the United Nations to reduce by 50% the number of families living in poverty by the year 2015, we will need to harness and align the capabilities of governments, traditional charities and the private sector. My personal belief is that philanthropy has enormous potential to lead a new frontier of engagement on the pressing global challenge of poverty by moving beyond a traditional charitable intervention.

More than a decade ago, in my role as managing director within the Private Wealth Management Group at Deutsche Bank, I was a founding director of the DB Microfinance Development Fund. The Fund was a unique proposition in bringing together a group of seasoned philanthropists in a coordinated effort to grow the microfinance sector. Many of those who joined me in this initiative realized that, no matter how generous our philanthropy, if we were to truly achieve a scaled impact we would need to define a new strategy of leveraging our capital to achieve a more sustainable approach to improving the lives of the poor. The DB Microfinance Development Fund proved to be a true innovation in creating a lasting vehicle to propel philanthropic resources towards the goal of reoccurring impact. In the 14 years of operation the Fund has provided more than 400,000 loans to individual entrepreneurs in the developing world to grow their enterprises and bring new income into their homes. From countries as diverse as India and Mexico, I have personally seen the difference these loans can make in changing the destinies of families living in poverty

I am delighted to have been a founding member of the Deutsche Bank Microfinance Development Fund and continue to be a champion for its ongoing role in fostering growth among the most promising and effective organizations fighting poverty in the world today.

Steven Rockefeller

Chairman & CEO
Rose Rock Capital

1. EXECUTIVE SUMMARY

This study aims to assess the extent to which the Deutsche Bank Microfinance Fund (DB MDF), in its first ten years of operation, achieved its mission of expanding access to local commercial funding by microfinance institutions (MFIs) worldwide.

The findings of the study are very encouraging:

A quantitative analysis reveals that 80% of the MFIs examined were able to markedly expand their access to local commercial funding after receiving the DB MDF guarantee. Separately, the loan portfolios of these MFIs displayed strong growth following receipt of the guarantee, with an average annual growth rate of 101%. Organizations were also able to significantly increase their number of borrowers.

An additional qualitative analysis shows that DB MDF was a key component of the institutional development of almost all of its beneficiaries. In most cases, at the time of the guarantee, local currency funding, and in particular leverage, would not have been possible without Deutsche Bank.

The DB MDF guarantee product was also a clear market leader, offering a local currency alternative at a time when few such alternatives were available. Many of the organizations that received a guarantee have since negotiated funding with a range of international commercial funders.

The qualitative analysis shows that organizations often experienced a substantial reputational boost as a result of receiving the DB MDF guarantee. In many cases, dealing with Deutsche Bank and local lenders helped MFIs to improve their negotiating skills. In some cases the collaboration with Deutsche Bank also served to strengthen internal processes within organizations.

In terms of criticisms of the guarantee gained through the client interviews, the overriding response was that the DB MDF guarantee would have been more helpful if it had been larger.

In addition to these findings, the analysis shows that there is still a demand for DB MDF's guarantee product. In many countries, MFIs still struggle to access local currency funding from commercial lenders, due to a lack of tangible collateral and track record. The reduction in liquidity following the financial crisis has served to further increase this demand.

DB MDF targeted leverage of two times on its guarantees by the local beneficiary bank lending to the MFI. To date, DB MDF has achieved an average leverage of 2.63X on its guarantees. In total, DB MDF issued USD $6,658,000 in guarantees through FYE08 and these funds generated an estimated USD $71 million in increased financing to microentrepreneurs per DB MDF's calculations .

Finally, in addition to achieving its mission, DB MDF has performed well with only one default on the 56 total guarantees issued to date. For a philanthropically-oriented fund geared to support early to mid-stage MFIs and thus prepared to incur some level of risk and potential losses, this 1.11% loan loss rate on all guarantees issued to date is impressive.

2. INTRODUCTION

DB MDF offers guarantees to microfinance organizations that are used to secure local currency loans from their local commercial banks. DB MDF has a targeted leverage requirement on the guarantee of two times (ex: a $100,000 guarantee should yield a $200,000 local currency equivalent loan from the local bank to the MFI). Generally, these guarantees are for a three-year tenor. The pricing on such guarantees was intended to be favorable and accommodate the needs of the borrower as opposed to necessarily pricing to market.

Scope of Study

The primary aim of this study is to assess the extent to which DB MDF achieved its original mission of helping MFIs access local commercial funds. The stated mission of the fund is the following:

> "The DB MDF was conceived with the mission of helping MFIs reach scale and long-term durability as sustainable institutions that will have a recurring impact on the alleviation of poverty. Deutsche Bank's strategy is to encourage and establish relationships between local commercial financial institutions and MFIs by providing high-risk catalytic funds as collateral for leveraged loans from local financial institutions."

The fund has now been active for eleven years. There is sufficient financial data available on former DB MDF beneficiaries to allow for a quantitative analysis. Enough time has passed for clients to be able to assess whether DB MDF had an impact—positive or negative—on their organizations.

The study focuses on three key questions:

- → To what extent did the DB MDF achieve its primary objective of permanently raising client access to commercial local currency funding?
- → In its first ten years of operation, did DB MDF reach MFIs that were having difficulties accessing commercial capital?
- → Did the DB MDF successfully target high-potential organizations? Are former clients today successful MFI businesses?

A second aim of the study is to review the lending experiences of former Fund clients, and determine what lessons can be applicable to DB MDF's future lending.

The methodology includes:

1) a quantitative analysis comparing the financial situations of DB MDF clients pre- and post-guarantee, and

2) a qualitative analysis based on interviews with past DB MDF clients.

The quantitative analysis was completed using information collected by Deutsche Bank at the time of each guarantee, as well as information reported by the MFIs to Mix Market, the leading industry source for MFI performance information. Of the 56 clients who have borrowed from DB MDF to date, data was collected for 73%, or 41 MFIs. Of the 41 MFIs supplying data, 44%, or 18 MFIs, were then interviewed for the qualitative analysis

> "It does not seem like a big amount of money now, but at a time when we couldn't access money from commercial bank this [DB MDF guarantee] was huge...it gave us life. It gave us credibility with a foreign bank operating in India. The DB name became reflected in our Balance Sheet."
>
> Udaia Kumar,
> SHARE, India

Overall, the results of the study are very encouraging:

- → The DB MDF guarantee structure clearly increased access to local currency funding for its clients. Most clients were able to grow their loan portfolios significantly after receiving the DB MDF guarantee, and many have also greatly expanded their outreach.

- → Most of the MFIs interviewed commented that Deutsche Bank was the only funder willing to offer them a local currency product, something which they valued very highly.

- → Indirectly, DB MDF guarantee seems to have strengthened the legitimacy and brand of many MFIs, and in some cases allowed organizations to increase their institutional capacities as they negotiated with local lenders.

Although some interviewees pointed to specific shortfalls of the DB MDF, virtually all agreed that their overall experience with the Fund was positive and that it had played a crucial role in their development. Several MFIs also noted a continued need for the DB MDF guarantee in their respective countries.

3. RESULTS

Number of MFIs	Number of Countries	Average Guarantee Size	Total Amount Disbursed	Average Leverage Ratio	Leverage Range High/Low[1]
56	30	$110,133	$6,658,000	2.63	10/1

Quantitative Analysis

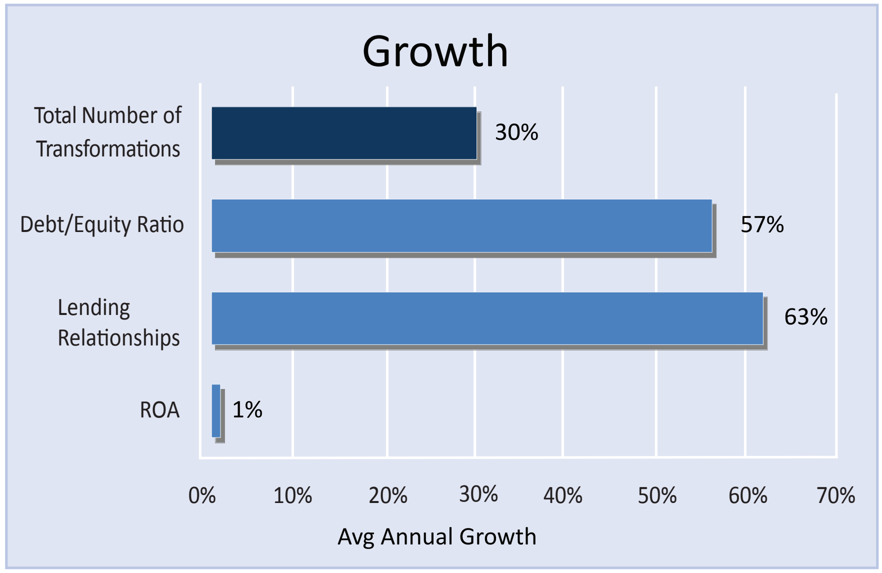
Several key trends emerged during the analysis of the financial performance of former DB MDF clients:

1. 80% of the MFIs for which data was available were able to increase the number of lending relationships they had after receiving the DB MDF guarantee. Though the extent of the increase varied significantly between organizations, most managed to markedly diversify their funder base. Even after adjusting for the differences in time elapsed since organizations first received the guarantee, the growth in lending relationships was substantial, with organizations growing the number of funders by an average of 63% a year.

2. Borrowers from DB MDF have also been able to significantly increase their leverage levels. Eighty three percent of the MFIs for which data was available saw their debt-to-equity ratios increase in

1. Leverage levels below 2x are in several instances due to regulatory barriers.

the time between receiving the DB MDF guarantee, and the present. Debt-to-equity ratios increased an average 57% yearly for the group as a whole.



3. Many guarantee recipients transformed into private regulated financial institutions in the years following their receipt of the DB MDF guarantee. Less than 20% of the MFIs analyzed were for-profit companies before receiving guarantees from the DB MDF. Today, that number is almost 50%. Several additional organizations are currently in the process of transforming.

4. Loan portfolios increased consistently after clients received the DB MDF guarantee, implying that the expansion of funding became easier. The cumulative average annual growth rate of loan portfolios among the representative group was 101%. Given the time that has elapsed since many organizations received the DB guarantee, other factors besides the guarantee will also have influenced growth, but the guarantee seems clearly to have been a facilitator of MFI growth.

5. Outreach also grew significantly, with the number of borrowers reached by DB MDF clients growing at over 63% a year on average, from the year in which the DB MDF guarantee was received. Similarly, debt-to-equity ratios also rose markedly in the periods after MFIs received the guarantee.

Other noteworthy findings:

6. The rapid growth displayed by MFIs did not necessarily translate to greater profitability. Just under 45% of MFIs for which data was available showed an increase in their ROA when compared to their ROA before the DB guarantee. Those who did raise their ROA managed to raise it significantly by a relative 5%, on average.

> "Suffice it to say that we are extremely happy with the support that DB provided to SPBD. It helped us forge relations with Samoa's two biggest banks which have become critical financers of SPBD and helped us to grow to become a profitable MFI. I am not aware of anyone else who was doing a program like DB. There was some financing out there, but it was all hard currency. The program was very innovative.... exactly what we needed."
>
> Gregory Casagrande:
> SPBD, Samoa

7. Operational self-sufficiency (OSS) increased by an average of 3% per year for the group, and the proportion of organizations with an OSS of greater than 100% did not change markedly after receiving the loans. Given that the bulk of the MFIs that benefited from the DB MDF guarantee were already operating above 100%, this is not surprising. Just under 36% of the MFIs for which data is available have seen a decrease in their OSS numbers since receiving the DB MDF guarantee. As with the ROA numbers, there are several factors which may have contributed to this change.

8. Other trends, such as product growth, were also less clear. Of the MFIs for which data was available, just over 40% broadened their product base after receiving the DB MDF guarantee. Around 45% today have the same product offering as before, with the remaining 15% reducing the amount of products that they offer clients.

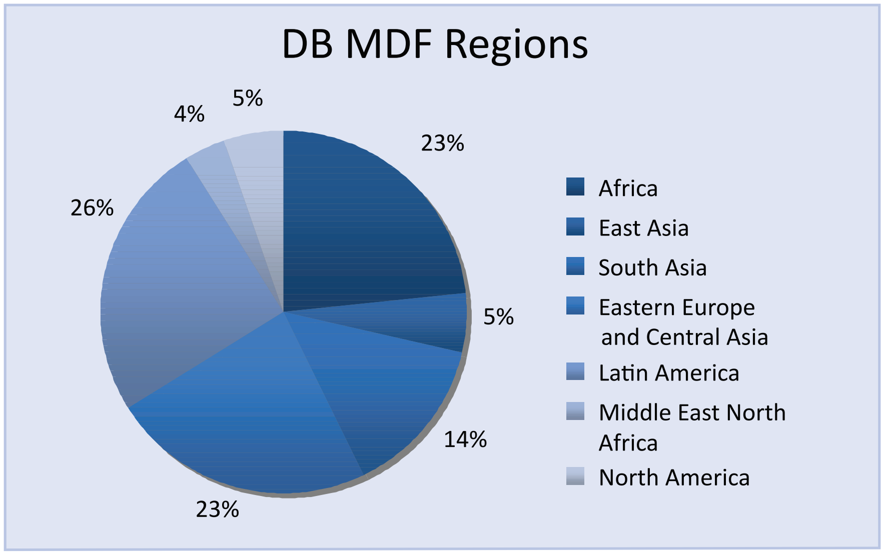
Overall, the quantitative analysis strongly indicates that DB MDF achieved its key goal of increasing access to commercial funds, particularly local currency funds, for its clients. Over time, organizations have been able to expand their loan portfolios significantly, and extend lending to new areas and clients. In addition, most organizations have seen a large increase in their commercial funder base, suggesting that they are more diversified than before.

The two remaining questions of the study, whether DB MDF reached MFIs having difficulties in accessing local commercial funds, and whether DB MDF succeeded in targeting high potential MFIs, are difficult to answer using the quantitative analysis alone. In particular, the financial performance of DB MDF clients as measured by profitability is mixed (though this is may stem partly from the lack of consistently available data) and the analysis thus does not fully clarify if the organizations that received DB MDF guarantees could be classified as "high potential" organizations. In addition, the analysis does not show to what extent the organizations that received DB MDF guarantees were otherwise unable to access commercial funds.

Qualitative Analysis

Given that the financial analysis of the DB MDF beneficiaries left some questions unanswered, a complementary qualitative analysis of past clients was pursued to provide clarification whether some of the initial conclusions drawn from the quantitative trends were correct.

The qualitative analysis consisted of 20-30 minute semi-structured interviews with former DB MDF clients, covering one-third of the 56 DB MDF clients, nearly half of the clients for which we had sufficient financial information.



In total, 18 interviews were conducted with current and former managers of MFIs that received a DB MDF loan guarantee. They were selected from the group of 41 MFIs for which we had good coverage of financial information, to achieve a balance of regional representation similar to the Fund's actual portfolio. The aim of the interviews was to get a better sense of the financial environment in which the MFIs were operating when they received the DB guarantee, and to determine the extent to which the DB loan had been instrumental in opening up access to local currency commercial funding. In addition, interviewees were asked how the DB MDF program could be improved going forward

Again, key trends emerged:

1. The interviews confirmed the initial findings of the quantitative analysis, showing that the DB MDF significantly helped MFIs build relationships with local commercial lenders, particularly local banks. This was the case not just for the duration of the guarantee itself, but also afterward. Almost all interviewees stated that, to varying degrees, the guarantee had played a crucial part in the organizations' development. In most cases, a local loan would have been impossible without the DB guarantee.

2. Separately, those interviewed, regardless of region, argued that Deutsche Bank was one of the only firms, and often the only

> "Without DB we (SOCREMO) would not have received additional support from other organizations. DB was the only institution willing to give a guarantee at the time. The DB loan was first. Then we could transform into an MFI and later, into a Bank."
>
> Martin Spahr:
> SOCREMO, Mozambique

one, offering a guarantee product to them at the time. Most of the interviewees also highlighted that the Deutsche Bank guarantee was the only way in which they could obtain local currency financing.

3. Receiving the Deutsche Bank guarantee generally also provided a significant reputation boost to the interviewed MFIs. After receiving the guarantee, the vast majority of organizations found that doors opened to financing, not only with the bank with which the guarantee had originally been negotiated, but also with other local lenders. Part of this development was likely driven by the Deutsche Bank brand name, although in other cases, even a small amount borrowed and paid back created a track record, which was viewed positively by local lenders. Some of the interviewed MFIs also argued that the process itself strengthened their financial capabilities and internal processes. For several, the experience with DB was their first in negotiating with a commercial lender, and a number commented on how much they learned from the experience.

4. One MFI highlighted Deutsche Bank's efficiency with respect to structuring the product. From beginning to end, the process was rapid and clear. Other potential lenders (in this case EBRD and USAID) offered guarantees not dissimilar from that of DB, but their application process was so time-consuming and cumbersome that the MFI simply didn't have the available resources to go through the process. Similar arguments about process came up in several other interviews. Often the DB guarantee was easier for emerging MFIs to access and understand than other products available at the time.

4. MOVING FORWARD: TAKE-AWAYS AND RECOMMENDATIONS

There are numerous takeaways from this study, as well as several recommendations as to how DB MDF could move forward:

- → DB MDF's strategy to date has been to "encourage and establish relationships between local commercial financial institutions and MFIs." This has clearly been achieved by the fund.

- → There is strong evidence that a need for the DB MDF guarantee product still exists, particularly in the aftermath of the financial crisis. Several of the MFIs interviewed commented on a remaining need among emerging MFIs in their respective markets, that continue struggling for access to commercial funds.

- → In some regions there are currently alternatives to the DB MDF model for guarantee lending, for example, products offered by Grameen and USAID, but this is not generally the case. In countries where local currency funding options remain scarce, there is thus a strong argument for the continued operations of the fund. Even in cases in which MFIs already had access to commercial funds prior to receiving the DB guarantee, the Fund still served an important purpose, helping organizations to diversify their funding, and increasing their credibility with international lenders and investors.

→ 41% of the interviewed MFIs stated that the guarantee they obtained from Deutsche Bank was too small. Although there were other effects associated with the guarantee that helped organizations achieve better access to local commercial funding, most felt that the initial guarantee was low. In some cases, MFIs argued that the guarantee was so small that it only minimally impacted their businesses, at least initially. As the MFI sector as a whole continues to grow, it is likely that the capital required for expansion will grow with it. Unless guarantees also increase, they could risk potentially becoming less effective over time.

→ A former DB MDF client whose organization received a guarantee over ten years ago expressed the view that as the industry and his organization grew, Deutsche Bank had continued to view microfinance as charity rather than a genuine business opportunity. This, he felt, had an impact on the financial resources made available to DB MDF, and as other investors entered the space, made it less competitive.

→ Opinions were mixed as to whether Deutsche Bank should have been more involved in negotiations with local lenders. Some organizations (ex. SPDB) argued that more involvement would have been good at the time of the initial guarantee to help MFIs negotiate better leverage levels. Others argued that DB involvement would potentially have "crowded them out," in the sense that the organizations learned a great deal by engaging in negotiations themselves (SOCREMO, XAC). Given this fact, it might be worthwhile for the Fund to consider increased involvement on a case-by-case basis in the future.

→ There seems to be a minor disjoint between the DB MDF guarantee product and other DB loan products. Several MFIs found that once they received their first jump start from the DB MDF, their capital needs grew, but there was not always a natural step change to other DB products. Some were able to replace DB funding with a broader access to local funders, but there were a few which found better terms with other international lenders. However, these organizations were a minority.

Suggestions for further analysis

Given the representative group's somewhat mixed results concerning profitability, it would be worthwhile to pursue a deeper analysis of the MFIs that increased their ROA and grew profitably after receiving the DB MDF guarantee. For example, it would be interesting to examine whether MFIs operating in a specific region or under similar regulatory frameworks were more likely to raise their ROAs than others.

Since many interviewed MFIs argued that the sum they were able to borrow using the DB MDF guarantee was too small, perhaps it would be worthwhile to analyze more closely which loan sizes and leverage levels are appropriate, as the funding needs of MFIs rise.

5. CONCLUSIONS

Both the qualitative and quantitative analyses indicate that DB MDF has served a strong purpose in its first ten years of operation. The vast majority of microfinance organizations that benefited from the DB MDF product obtained sustained access to local currency financing and managed to grow their portfolios substantially. Subsequently, many also expanded their outreach and improved their internal infrastructure. Most DB MDF clients now have consolidated relationships with local currency lenders and are able to leverage more than before. Many DB MDF beneficiaries are now highly profitable and several are viewed as sector leaders, although some others lag in profitability. There is also some risk of bias in the results, given the limitations of the analyses .

DB MDF does seem to have far exceeded its initial goals. Referring to the three key questions posed at the beginning of study, clearly DB MDF did achieve its target of increasing client access to commercial local currency funding. Qualitative evidence shows that the fund generally reached MFIs that otherwise would not have been able to access commercial funding. In almost all of these cases, the DB MDF guarantee was the only available local currency option. In addition, several institutions that received a DB MDF guarantee confirm that the guarantee was a necessary and crucial step to their organizational development. Finally, DB MDF largely managed to target appropriate organizations. Several former clients today are industry leaders, and many MFIs have achieved profitability and/or transformed, since receiving the DB MDF guarantee.

"At the time, there weren't many actors to go to, there were few funders. Once we had Deutsche Bank though, we had everyone else as well"

Mathias Katamba, CEO: Uganda Finance Trust, Uganda

AFTERWORD

The Deutsche Bank Microfinance Development Fund (DB MDF) distinguishes itself as the first microfinance fund established by a bank, dating to 1997, when the concept of social investing was still nascent. We are proud of what DB MDF stood for in 1997 and even more pleased by the results as presented in this study. Without a doubt, the hard work and perseverance of the microfinance institutions (MFIs) and their managers drove these results, with DB MDF fueling their growth and helping them to access local commercial sources of funding for the first time. These MFIs as a group expanded their access to commercial funding by 63% and their outreach to poor and low-income entrepreneurs by over 100%, on an annual basis. Targeting young and mid-staged MFIs, DB MDF saw a third of these MFIs develop into regulated financial institutions over these ten years. This regulatory transformation enabled MFIs to offer a more diverse line of products to their clients and open additional funding sources, reinforcing their prospects of long-term growth and sustainability. The DB MDF played a critical role in these MFIs' evolution by fueling their development when such funding was scarce.

The success realized during DB MDF's first decade now poses a welcome challenge: ensuring that the next decade continues this legacy of helping young and mid-sized MFIs realize their growth potential in undeserved low-income communities. The industry has developed significantly since 1997 and continuing to distinguish DB MDF's offering is more complex: well-run MFIs can now scale up more quickly and need sizeable funding amounts; there are now over 100 microfinance investment funds; several microfinance markets are becoming saturated and concerns exist over client over-indebtedness; the increased commercialization, growth, and profitability of MFIs raise questions about their commitment to their social missions (the balance between social and financial returns). Further, the financial crisis of 2008 demonstrated that MFIs are not completely resilient to economic downturns. Several developed MFIs with strong social commitments are having difficulty rebounding from the crisis and retaining local commercial bank funding in financial systems that have become more conservative. Finally, we have seen local governments politicize microfinance in several major markets where investors have now distanced themselves (for example, India and Nicaragua).

In this more complex environment, DB MDF's board and management have reaffirmed their commitment to targeting young and mid-sized MFIs, that still face challenges in accessing funding. To retain DB MDF's relevancy and reputation for flexibility in responding to MFI needs under current market conditions, DB MDF will permit larger transaction sizes as it expands its capital base. It will continue to diversify its products to include direct loans in addition to guarantees (for those markets where the guarantee is not a feasible instrument or too costly; requiring a foreign exchange risk-mitigating strategy, including hedging). It will consider financing for established MFIs that are emerging from a crisis after stabilizing their operations and demonstrating improved performance, thus helping them attract commercial funding sources again. While the fund will be flexible in its product offerings, DB MDF's commitment to promoting MFI growth via local currency funding, or structures that result in local currency equivalent funding, remains paramount.

The Deutsche Bank Social Investments Team is placing increased emphasis on screening MFIs for social commitment and performance. We have developed a Social Score Card that assesses the MFI leadership's commitment to their social mission and determines whether their credit methodology and practices help to both protect and promote the micro-entrepreneurs' well-being. We hope to target MFIs that are in underdeveloped markets or rural communities where our guarantees and loans can make a significant difference, putting them on a trajectory of long-term sustainable growth, similar to the outcome of the DB MDF's first decade of success.

APPENDICES:

1. Methodology
2. Summary Results Table
3. Additional Quotes
4. MFI Questionnaire

1. METHODOLOGY

Overall

Although the data set used for the quantitative and qualitative analyses overlap significantly, they are not the same. The quantitative analysis includes all DB MDF clients for which financial data was available (both pre- and post-guarantee) on MixMarket, without taking into account the Fund's regional balancing, as the priority was making the analysis as extensive as possible. The qualitative analysis is a subset of the quantitative analysis, but here an attempt was made to pursue a regional balance similar to that of DB MDF. This better reflected different regional and country experiences.

Financial Analysis

The quantitative analysis split into two sets of variables: financial performance metrics and metrics measuring the MFI's financial depth, i.e. the number of lenders and the number of products offered by the MFI. Whether MFIs had undergone transformation since receiving a DB guarantee was also taken into account. Financial performance metrics focused on more traditional performance metrics, such as debt-to-equity ratios, ROAs and portfolio and borrower growth.

Qualitative Analysis

The format of the qualitative analysis was semi-structured interviews. Questionnaires served as a base for the interviews, but interviewees were given the freedom to expand on topics themselves (see Appendix 1 for sample questionnaire). The qualitative analysis sought to balance responses by region, in order to reflect the regional balance of DB MDF itself. Over time DB MDF has had a near-equal regional balance split among Africa, Eastern Europe and Central Asia, East & South Asia, and Latin America. The selection process for interviews took this into account, and a similar regional representation was targeted.

Limitations

There are two main limitations of this analysis. First, it is difficult to obtain consistent financial data for the MFI industry in general, which was also the case for the MFIs that benefited from the DB guarantee. However for most of the quantitative parameters, there was sufficient data available for just over 40 MFIs, i.e. 73% of the total group of MFIs that received DB MDF guarantees. Second, due to time and other limitations, only 18 MFIs could be interviewed for the study. Although this represents approximately 44% of the MFIs for which financial data was available, using a larger representative group may have uncovered a broader set of experiences. As a result of these two limitations, there is some risk that MFIs that have had more success are overrepresented, given that they are more likely to report financial data and potentially also make themselves available for interviews. An additional limitation is the lack of a control group of microfinance institutions which could be used to examine whether DB MDF significantly improved an organization's access to local currency financing, versus the access to finance attained by its peers. In order to include such a group, the study would have had to be much broader in nature.

2. SUMMARY RESULTS TABLE

		Loan Terms					
Microfinance Institution	Country	Loan Amount	Date of Disbursement	Initial Leverage Rate with Local Bank	Borrower Growth (CAGR)	Portfolio Growth (CAGR)	Transformed (Yes/No)
ACCION New York	US	$75,000	9/17/98	2			No
ACME	Haiti	$75,000	8/15/02	2	38%	46%	No
ACODEP	Nicaragua	$200,000	11/30/04	2	31%	49%	No
Amigo S.A. (formerly Emprender)	Bolivia	$50,000	4/30/02	1	60%	66%	No
ASASAH*	Pakistan	$50,000	1/31/04	2	82%	108%	No
Asian Credit Fund (ACF)*	Kazakhstan	$150,000	11/19/03	2	8%	35%	Yes
Asmitha Microfin Limited (AML)	India	$150,000	9/30/04	3	64%	82%	No
Bharatha Swamukti Samsthe (BSS)	India	$10,000	3/8/04	3	164%	222%	Yes
Cashpor FTS	India	$125,000	2002	2	82%		No
Corporación Mundial de la Mujer Colombia-Bogotá	Colombia	$75,000	3/5/03	2	47%	87%	No
Corporación Mundial de la Mujer Medellín	Colombia	$75,000	12/27/00	2	33%	57%	No
EKI	Bosnia	$125,000	3/24/05	5.5	70%	138%	Yes
Faulu Uganda	Uganda	$75,000	10/23/03	2	13%	31%	Yes
Fincomun	Mexico	$100,000	9/14/00	2		54%	Yes
FONDEP	Morocco	$250,000	12/29/04	2	76%	138%	No
FONKOZE	Haiti	$120,000	3/9/07	2			No
Fundación Mundial de la Mujer Bucaramanga	Colombia	$75,000	1/30/03	2	55%	110%	No
Fundación Mundo Mujer Popayán	Colombia	$75,000	7/23/01	2	48%	70%	No
Fundación WWB Cali	Colombia	$75,000	3/30/00	2	35%	54%	
Grameen Koota	India	$55,000	3/24/03	3	156%	233%	No
KASHF	Pakistan	$75,000	12/2/99	2			Yes
MI-BOSPO	Bosnia	$125,000	7/25/01	2	43%	75%	Yes
Microfund for Women	Jordan	$150,000	9/10/05	2	41%	61%	No
MicroInvest	Moldova	$50,000	4/26/05	2	160%	266%	No
Mikro Aldi	Bosnia	$125,000	4/25/07	2.1			Yes
MikroFond	Bulgaria	$175,000	5/2/07	3			No
Milamdec Fnd'n	Philippines	$75,000	2/28/02	3.4			
Nat'l Fed.CDCU's	United States	$100,000	9/21/99	4			
Network Leasing (NLCL)	Pakistan	$125,000	2/11/03	2			No
Propesa	Chile	$75,000	10/7/98	2			No
Project Enterprise	United States	$12,500	11/9/00	2			No
PSHM Opportunity (Partneri Shqiptar ne Mikrokredi)	Albania	$100,000	4/9/03	3	16%	27%	No
OMRO	Romania	$200,000	10/19/05	2	68%	159%	No
Russian Women's MFNet	Russia	$125,000	5/1/05	2			Yes
Semisol	Mexico	$200,000	5/14/07	1.5	8%	30%	No
SHARE	India	$75,000	10/5/99	10	6%	6%	Yes
Shared Interest	South Africa	$75,000	6/4/99	10	70%	87%	
Small Enterprise Foundation (SEF)	Tanzania	$75,000		1.2			
SOCREMO	Mozambique	$100,000	10/30/02	1.2			Yes
South Pacific Business Dev. (SPBD)*	Samoa	$45,000	10/23/03	1.5	29%	73%	No
Spandana	India	$75,000	5/28/03	5	54%	63%	No
Uganda Finance Trust*	Uganda	$150,000	8/31/04	2	54%	63%	Yes
Vital Finance	Benin	$150,000	3/21/03	3	54%	63%	No
XAC	Mongolia	$125,000	8/28/02	2	-13%	21%	No
Grameen Mendoza	Argentina	$150,000	6/8/06	1.3	-5%	16%	
Micro Africa Ltd (aka MicroKenya)	Kenya	$200,000	12/26/06	2			No
Selfina	Tanzania	$100,000	9/1/06	2			No
Women to Women	Bosnia	$128,140	11/6/06	1	57%	116%	Yes
BRAC Tanzania	Tanzania	$250,000	8/15/07	1.4	81%	439%	No
BRAC Uganda	Uganda	$250,000	8/15/07	2	4%	36%	No
LAPO	Nigeria	$250,000	11/28/07	1.67	463%	439%	
Tujijenge Tanzania	Tanzania	$100,000	10/3/08		64%	159%	
JOVID	Tajikistan	$20,000	10/6/08				
Comixmul (Cooperativa Mixta Mujeres Unidads)	Honduras	$100,000	11/26/08				
*empty fields = information not available							

3. QUOTATIONS

Martin Spahr: SOCREMO, Mozambique

"Without DB we (SOCREMO) would not have received additional support from other organizations. DB was the only institution willing to give a guarantee at the time. The DB loan was first. Then we could transform into an MFI and later, into a Bank."

Nejira Nalic: MI-BOSPO, Bosnia

Ms. Nalic emphasises the fact that the DB MDF guarantee was a great new phase for Mi-Bospo. "I was proud" Ms. Nalic says of the occasion, referring to the diligence required and the reputational boost that resulted from Mi-Bospo's guarantee from the DB MDF. DB was a key player. "The loan amount was comparatively small, but it was very significant for Mi-Bospo at the time."

Mr. Bold & Mr. Bat-Ochir, CEO and First Deputy CEO: XACBANK, Mongolia

"The DB intervention in 2002 was pioneering" according to the current CEO. "DB was the unquestionable leader with this type of transaction. Only when other banks saw DB as an example did they start entering the market".

XACBank's First Deputy, who was the organizations CFO when the DB transaction took place in 2002 argues that the first transaction was a huge reputational step for the bank. He also emphasizes that the process involved in getting a guarantee from DB taught the team a great deal about how to deal with international banks. Today XACBank has relationships with more than 20 international lenders, but they attribute their current negotiation and due process skills to their initial dealing with Deutsche Bank.

Gregory Casagrande: SPBD, Samoa

"Suffice it to say that we are extremely happy with the support that DB provided to SPBD. It helped us forge relations with Samoa's two biggest banks (ANZ and Westpac) which have become critical financers of SPBD and helped us to grow to become a profitable MFI".

"I am not aware of anyone else who was doing a program like DB. There was some financing out there, but it was all hard currency"

"The program was very innovative....exactly what we needed"

Udaia Kumar : SHARE, India

"It does not seem like a big amount of money now, but at a time when we couldn't access money from commercial bank this [DB MDF guarantee] was huge….[the DB MDF guarantee]...it gave us life. It gave us credibility with a foreign bank operating in India. The DB name became reflected in our Balance Sheet….The guarantee from DB MDF was crucially important. Once DB was in SHARE's balance sheet, more banks came in. Today we have relationships with Citi, HSBC, Standard and Chartered, BNP Paribas…"

Mathias Katamba, CEO: Uganda Finance Trust, Uganda

"At the time, there weren't many actors to go to, there were few funders. Once we had Deutsche Bank though, we had everyone else as well"

4. MFI QUESTIONNAIRE

10 Year Impact Analysis - Deutsche Bank Microfinance Development Fund (DB MDF)

Greetings from Deutsche Bank! Ten years ago, Deutsche Bank launched its Microfinance operations with the establishment of the Deutsche Bank Microfinance Development Fund (DB MDF). On this anniversary, we'd like to conduct an assessment on how well DB MDF achieved its initial goal of helping MFIs access local commercial bank loans, by providing them a DB MDF guarantee. Our hope was that with this local currency funding, MFIs could expand their client outreach and develop more commercial borrowing over time.

As a prior DB MDF client, we would greatly appreciate your perspectives on how the DB MDF loan impacted your MFI operations. Thank you in advance for taking time out to discuss your experience with the DB MDF loan guarantee with one of our consultants. Your perspectives will help us expand the DB MDF and ensure that it responds to MFIs funding needs.

MFI:

Interviewee:
Role at time of DB MDF Loan:
Role today:

1. What have been the most drastic changes in your MFI since [Date of Loan] when the DB MDF loan was received?

   <u>Follow up topics</u>
   a. Diversified client services/products? (savings, insurance, etc)
   b. Expand your programs?
   c. Transformation? Regulated today, or vision to become regulated?

2. What is the current strategic aim of your MFI?

   <u>Follow up topics</u>
   a. Transformation to a for profit financial company?
   b. Continued operations as a non-profit?
   c. Increased outreach?

3. In what ways did the DB MDF funding and relationship help your MFI?

   <u>Follow up topics</u>
   a. Develop new bank relationships?
   b. Expand your programs?
   c. Reduce cost of funding?

4. Please cite and describe the existing relationships you have with banks, financial institutions, and equity investors, both local and international.

5. What are some of the advantages and strengths of the DB MDF fund versus other microfinance funds and funders that you have dealt with?

6. How could the DB MDF loan have been more helpful to your MFI? How could DB MDF have been more helpful to you in dealing with your local bank relationships?

7. The DB MDF guarantee aims to improve access to local currency funding. Do you feel that the guarantee helped your MFI secure significant local funding? Have you since expanded your relationships with local banks?

8. Has your MFI ever had any foreign currency denominated funding? What, if any, issues have you faced as a result of loans denominated in foreign currency? Has this affected your demand for foreign currency denominated funding?

9. What are the key challenges you currently face in growing your institution?
    a. Country/Macroeconomic Risk
    b. Lack of Funding
    c. Competition
    d. Staffing
    e. Others

10. Would you mind if we referenced your perspectives in our study?

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