U.S. International Development Finance Corporation

Dalberg

Development Impact Performance Assessment for Financial Intermediary Projects

SUMMARY REPORT

APRIL 2022

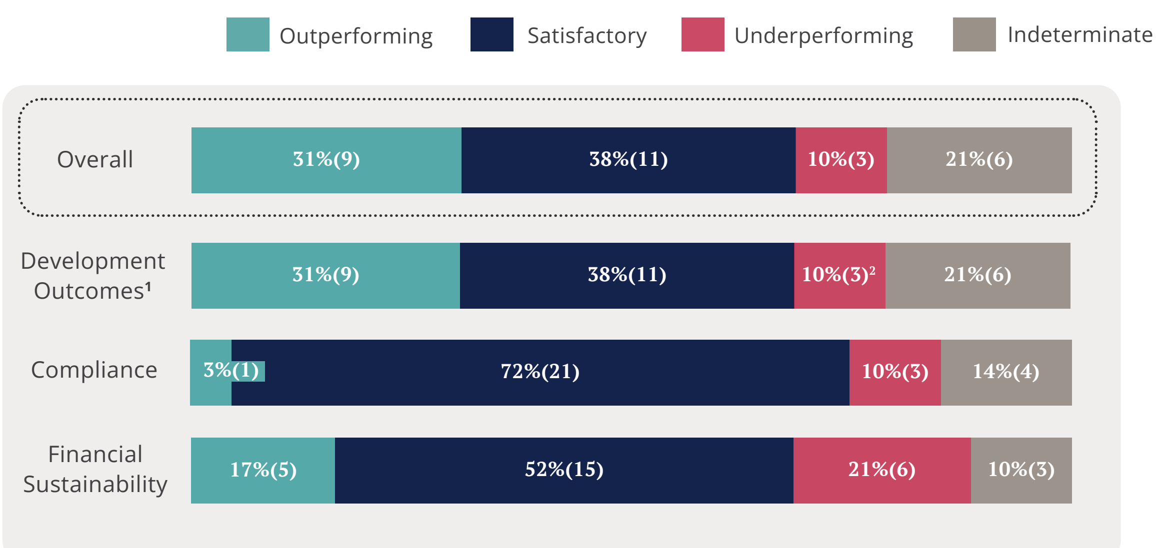
Contents

Executive Summary

AN INDEPENDENT PERFORMANCE ASSESSMENT REVEALED STRONG DEVELOPMENT OUTCOMES WITH AREAS FOR IMPROVEMENT

- **DFC commissioned Dalberg to undertake an independent performance assessment** of the development results, compliance, and financial sustainability of its $2.3 billion Latin American financial intermediary loan portfolio.
- **Overall DFC has achieved its development objectives: Nearly 70 percent are achieving their intended development outcomes** supporting ~110K microenterprises, SMEs and low and low-middle-income housing borrowers to gain access to finance of which 66 percent were 2X aligned
  - » Loan structures that ***outperformed*** *had narrower target customer focus, offered longer tenors or lower rates that were passed to end-beneficiaries, were able to demonstrate performance against multiple development objectives, or leveraged on the ground partnerships to provide technical assistance to development objective aligned borrowers.*
- **Yet some areas for improvement remain to ensure impact is more consistently achieved** as more than 30 percent of the financial intermediaries are underperforming or could not be assessed because they did not provide the necessary information and evidence to demonstrate compliance with DFCs stated development results objectives.
  - » Loan structures that ***underperformed*** *were made through origination facilitators, did not intentionally take actions to serve target customers, lacked clear additionality at origination or did not provide data.*

OVERALL PERFORMANCE OF DFC LOANS TO FIS IN LATIN AMERICA IS SATISFACTORY, YET SOME AREAS FOR IMPROVEMENT REMAIN



MOVING FORWARD DFC SHOULD IMPROVE DEVELOPMENT OUTCOMES BY INTEGRATING IMPACT MEASUREMENT AND MANAGEMENT (IMM) ACROSS LOAN LIFECYCLE

ORIGINATION

Screen and identify loans considering impact-first:

- Assess intentionality of the FI management to grow target customer segment through differentiated product offering particularly for 2X loans
- Incorporate climate and sustainability into the assessment and value the FIs that are takings steps to improve the impact of their operations and that of their port-folios.
- Increase additionality by targeting FIs that serve client segments that are not being served by commercial banks, and ensuring that favorable loan terms are passed onto FI customers
- Use origination facilitators more strategically and selectively

PROCESSING

Approve and underwrite loans with strengthened IMM requirements:

- Strengthen development related loan covenants to penalize borrowers for lack of cooperation or insufficient reporting of development impact data
- Enforce the target loan sizes provided by FIs to ensure that the impact of the loans is achieved
- Combine loans with technical assistance on IMM data collection and reporting good practices

EXIT AND REPORTING

Monitor and report results with client voices:

- Support FIs to increase their ability to report impact on targeted populations through more realistic definitions of target customers (such as 2X or SME) given country context
- Consider adding a "underperforming" category when performing ex-post evaluations using IQ
- Use third party service providers or work with FIs to systematically collect end borrower perspectives on client satisfaction

CHAPTER 1

Introduction

Scope and Methodology

DFC COMMISSIONED DALBERG TO UNDERTAKE AN INDEPENDENT PERFORMANCE ASSESSMENT OF ITS LOANS TO FINANCIAL INTERMEDIARIES (FIS) IN LATIN AMERICA

SCOPE

Review **36 loans, totaling US$2.3 billion, made to a broad and diverse range of 29 financial intermediaries (FIs)** across nine countries and six distinct DFC development objectives: low-middle income housing, microenterprise, SME, 2X/ gender, agriculture SME and WASH. The objective was to provide a comprehensive view of **performance against development objectives and to identify lessons learned** for future DFC lending activities.

ASSESSMENT METHODOLOGY

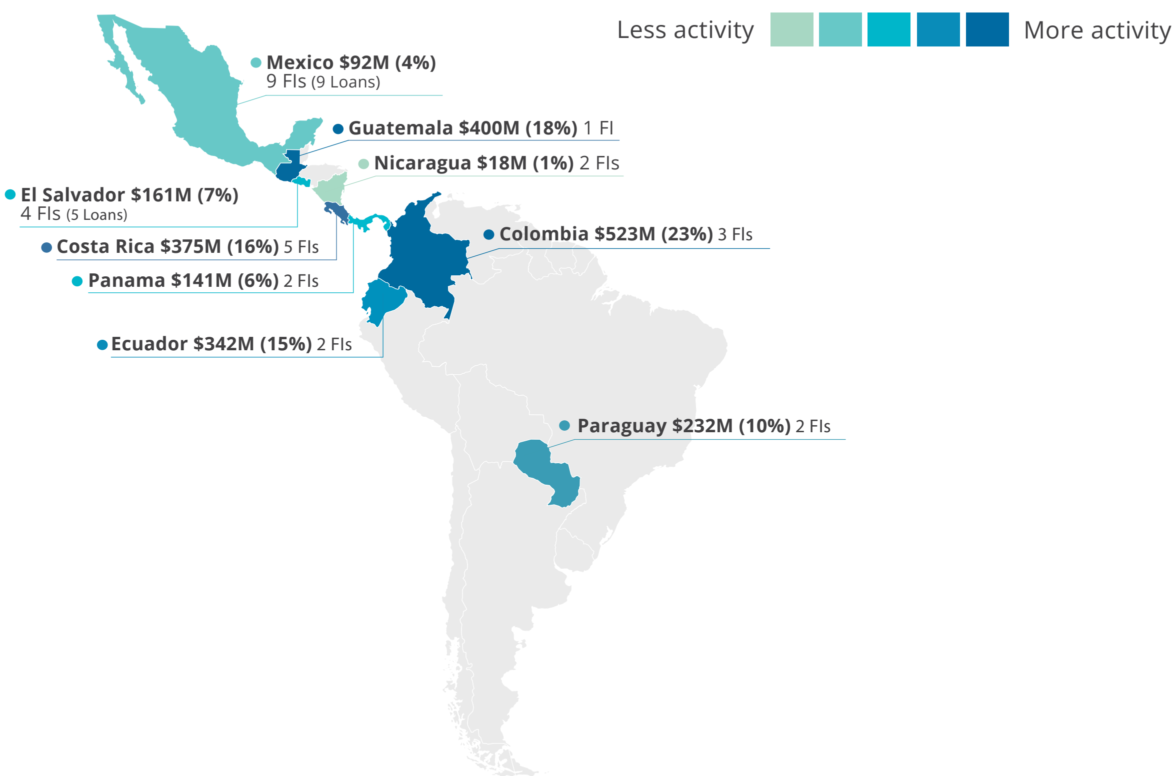
Dimension	Development Outcomes	Compliance	Sustainability
Indicators used to do the Assessment	*Have the development objectives been achieved, or will they likely to be achieved?*	*Is the FI compliant with DFC's "use of proceeds" loan requirements?*	*What is the likelihood that the positive impacts will be sustained after the DFC loan matures?*
Core Assessment Criteria	• DFC's Development Impact Quotient (IQ) three pillars of Development Results: Economic Growth, Inclusion, and Innovation[2]	• Ratio of loan to DFC outstanding balance • Compliance with E&S covenants • Reach to intended	• Non-performing loan (NPL) ratio • Year-over-year (YoY) portfolio growth • Management intention of growing the relevant portfolio in the future

Potential Score	Outperforming	Satisfactory	Underperforming	Indeterminate
	Financial institutions are in compliance with DFC loan requirements, and demonstrated that they have exceeded the original development targets, and demonstrated the likelihood for sustained development impact.	Financial institutions are in compliance with DFC loan requirements and demonstrated that they were meeting DFC's developmental targets and demonstrated the likelihood for sustained development impact.	Financial institutions are not in compliance with DFC loan requirements and/ or are not meeting developmental targets and are unlikely to sustain existing positive impacts.	The financial institution did not provide the data necessary to assess performance.

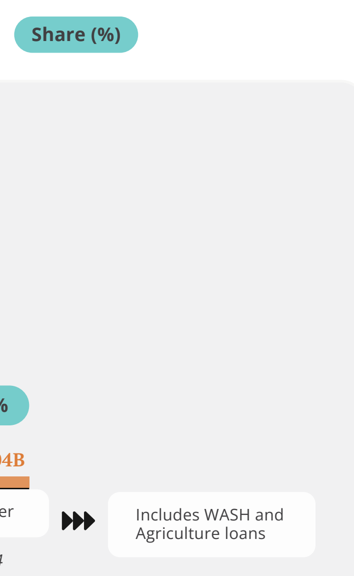
Evaluated Portfolio Summary

WE REVIEWED LOANS TO 29 FIS IN NINE LATIN AMERICAN COUNTRIES, ACROSS FIVE IMPACT THEMES CORRESPONDING TO USD 2.3 BILLION IN DFC FINANCING

DFC's investments analyzed broken down by country[3] (USD million)



DFC's investments analyzed broken down by theme[4] (USD billion)

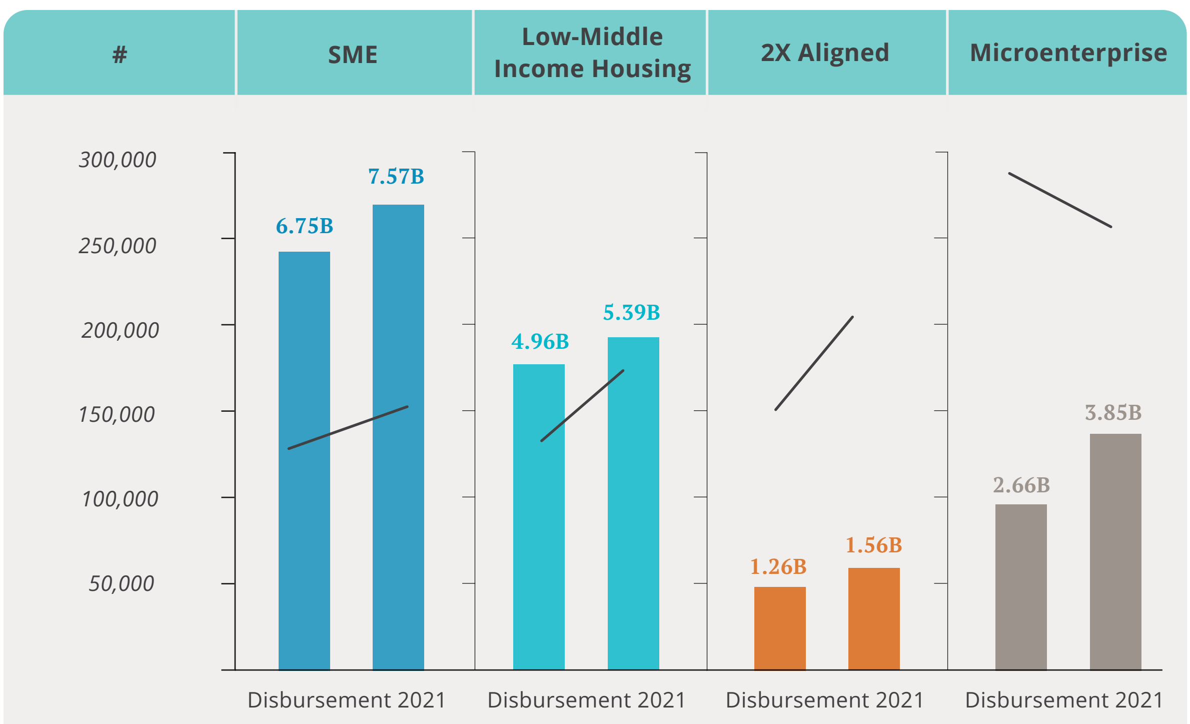


Development Outcomes

THROUGH THESE LOANS DFC HAS INCREASED ACCESS TO FINANCE FOR ~110K[6] SMES, LOW-MIDDLE INCOME HOUSING PROJECTS AND MSMES. 2X ALIGNED LOANS REPRESENTED 66% OF ALL CLIENTS REACHED

Collectively, the loans evaluated have contributed to a net increase of 19 percent in total debt financing available and reached more than 110 thousand customers. More specifically, thanks to the DFC loans, the portfolios of financial intermediaries serving 2X (gender) classified borrowers reached more than 73 thousand 2X-aligned borrowers and supported FI growth to reach more than 14 thousand SMEs (including 403 agricultural SMEs), approximately 64 thousand microenterprises, more than 32 thousand mortgages to low or low-middle-income homebuyers, and 17 water service providers. While these numbers relate to clients directly supported by DFC financing, fungibility of funds prevents specific attribution.

Portfolio value and total number of clients served[6,7]



%Δ Disbursement – 2021:	SME	Low-Middle Income Housing	2X Aligned	Microenterprise
Clients served:	+ 11%	+35%	+23%	-7%
Portfolio value:	+ 12%	+9%	+24%	+45%
	14,017 SMEs Reached[8]	32,606 Individuals Reached[8]	73,140 2X Aligned Borrowers Reached[8]	63,947 Individuals Reached[8]

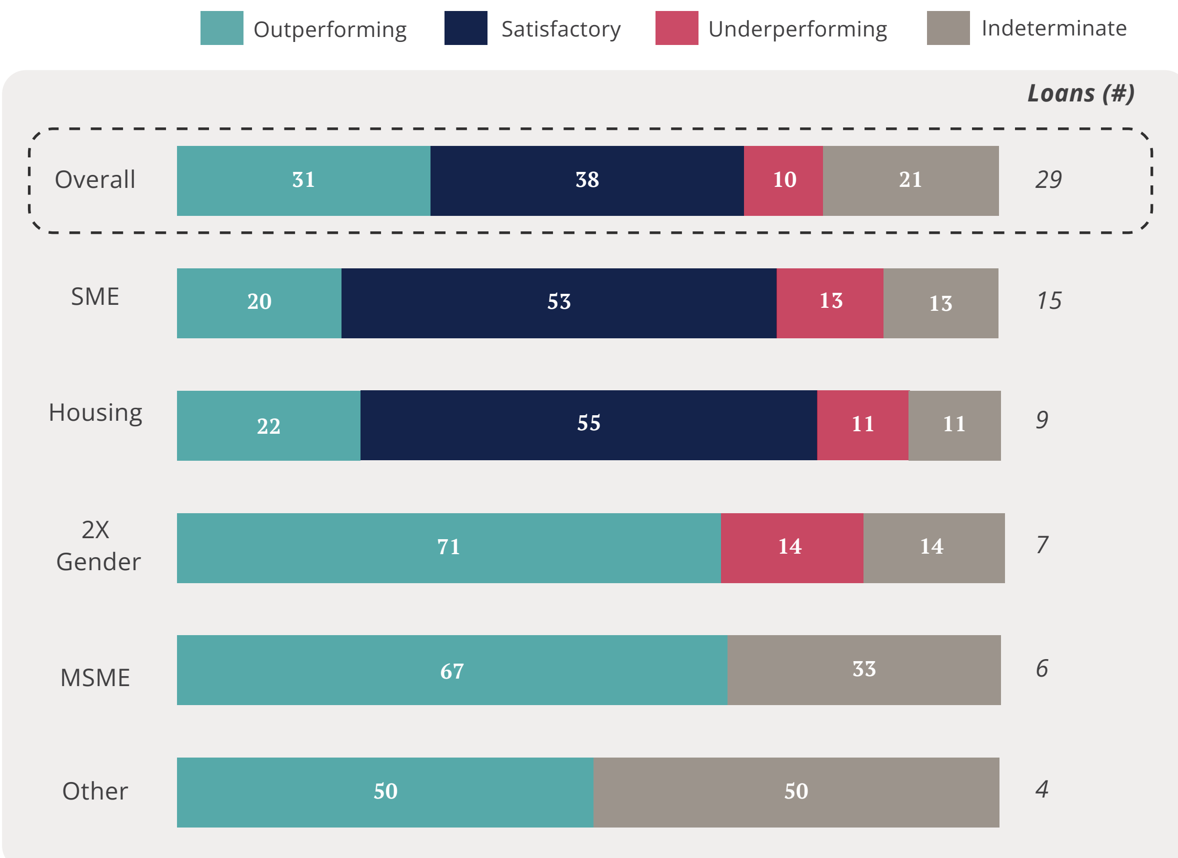
CHAPTER 2

Main Findings

Overall Performance Assessment

OVERALL PERFORMANCE OF DFC LOANS TO FIS IN LATIN AMERICA IS SATISFACTORY, YET SOME AREAS FOR IMPROVEMENT REMAIN

Performance assessment summary with breakdown by development objective of loans:

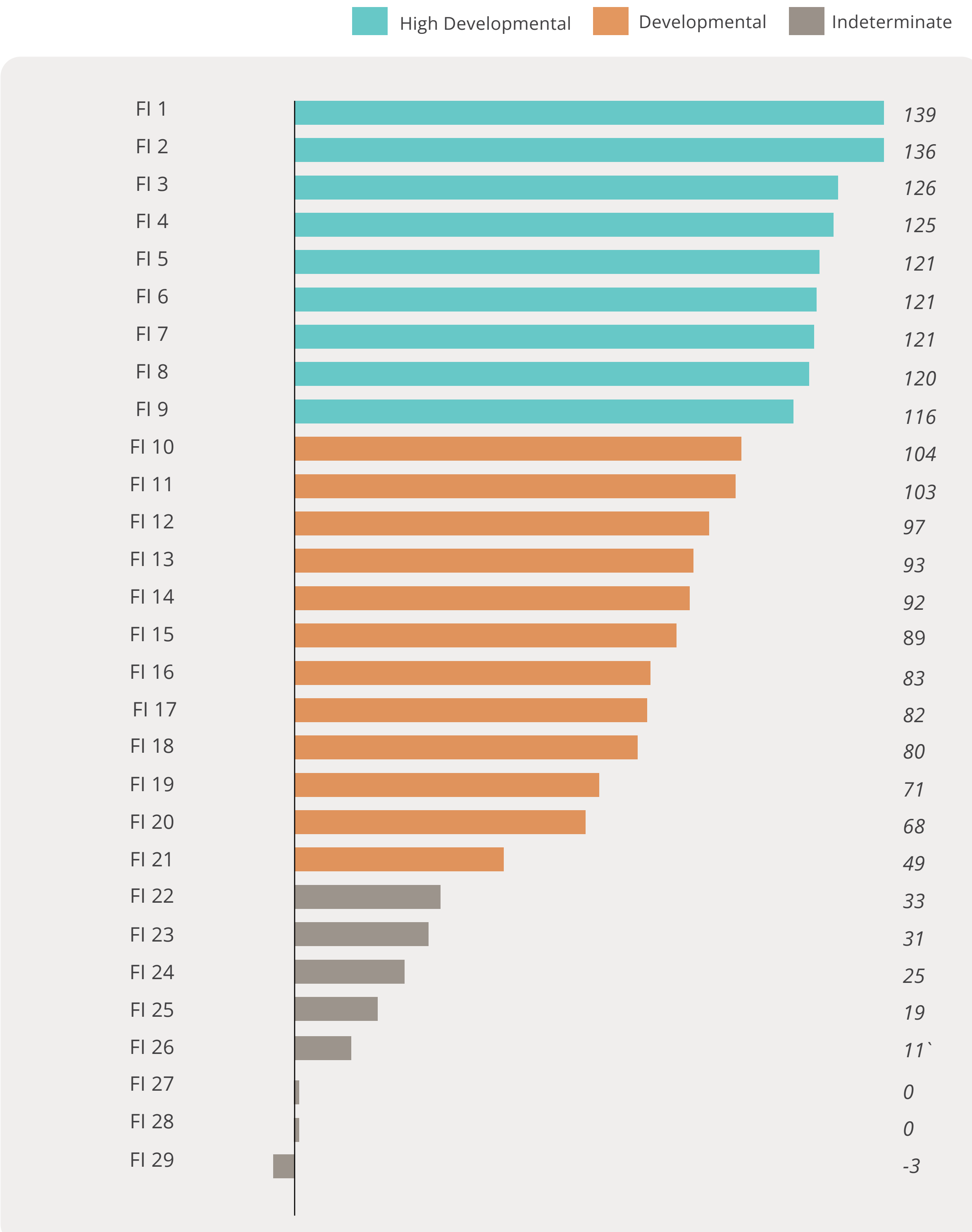


Nearly 70 percent are achieving their intended development outcomes, increasing access to finance for microenterprises, SMEs, low-income housing, and 2X aligned businesses across Latin America.

Ten percent of the financial intermediaries are underperforming and another 21 percent of the FIs could not be assessed because they did not provide the necessary information and evidence to demonstrate compliance with DFCs stated development results objectives.

USING THE IQ TO ASSESS DEVELOPMENT OUTCOMES WE FOUND A WIDE DISTRIBUTION BUT 83% OF FIS WERE RATED AS HIGHLY DEVELOPMENTAL OR DEVELOPMENTAL

Development Impact Quotient (IQ) score summary by financial intermediary evaluated[9]:



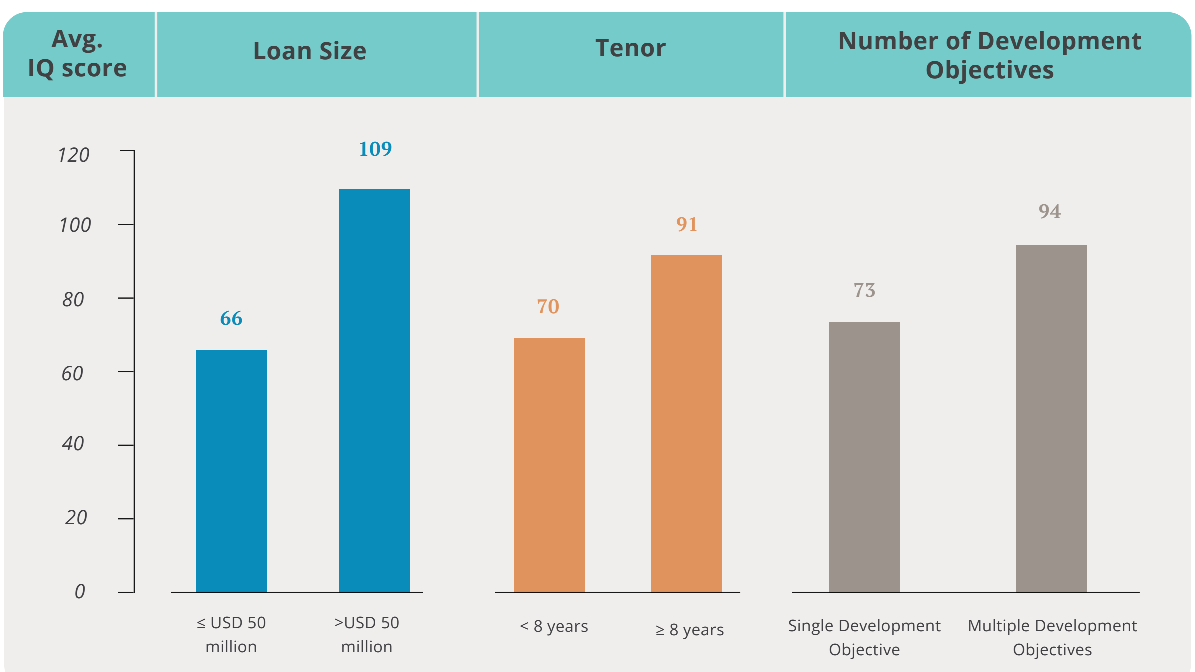
Loan Structures that Outperformed

LOAN STRUCTURES THAT OUTPERFORMED HAD NARROWER TARGET CUSTOMER FOCUS, OFFERED INNOVATIVE PRODUCTS/SERVICES AND BENEFITED FROM DFC FLEXIBILITY

- Outperforming loans tended to be larger but sharply focused on inclusion through narrower, country-specific definitions of underserved customers. For example, **FI 1** management hope to serve more than 2 million unbanked women-led microenterprises in Country A.
- The financial intermediary passed down DFC's longer tenors and lower interest rates to their borrowers. **FI 2** in Country B increased the tenor of its loans to SMEs from 60 to 96 months during the pandemic thanks to the longer tenor of their DFC loan.
- Some loans scored higher on the IQ because they demonstrated performance against multiple development objectives. **FI 5** in Country C outperformed thanks to a large DFC loan that served and grew its portfolio for 2X-aligned borrowers, microenterprises and low-middle-income housing borrowers.
- FIs such as **FI 8** in Country B leveraged on-the-ground partnerships to provide technical assistance to development objective–aligned borrowers.
- Other FIs benefited from DFC's flexibility to maintain position and even grow during the COVID crisis. **FI 27** in Country D drew on this flexibility to restructure its loan and weather the crisis.

ALL ELSE EQUAL LARGER, LONGER TENOR LOANS WITH MULTIPLE DEVELOPMENT OBJECTIVES HAD HIGHER IQ SCORES

Average IQ score broken down by DFC's loan size, length of tenor and number of development objectives[10]:



FI 1 IS EXAMPLE OF A HIGHLY DEVELOPMENTAL LOAN DUE TO STRONG MGMT. INTENTIONALITY, DIFFERENTIATED PRODUCTS AND TECHNICAL ASSISTANCE

The 2X aligned loan to FI 1 outperformed for the following reasons:

Management focused on intentionally growing loans to women-led MSMEs:

« FI 1is intentionally looking for strategies to keep growing the number of women-owned/led MSMEs served and reach client segments that usually don't have access to financial tools. Currently it has 78.4K loans to women-led MSME's with an outstanding loan value of $600M. The management goal is to give access to banking services to 2M of unbanked women clients, thus it is still has a long way to go to achieve that important goal.

Passed along better terms to offer differentiated financial services for targeted borrowers:

« FI 1 has differentiated products to support women-owned/led enterprises. Three years ago, FI 1 developed a specialized product to serve women-owned/led MSMEs. These products do not require a spouse to co-sign a loan for women or require collateral and offer longer terms, up to 36 months.

Benefited from non-financial technical assistance programs:

« FI 1 offers non-financial services to its MSME women-owned/led clients. The women microfinance borrowers have access to a microenterprise platform, personal finances, financial security, effective investments, banking products, and financial literacy training. FI 1 has served 35,935 clients through this training, and 85% were women. Recently, FI 1 won an industry prize due to the breadth and depth of its non-financial services and the volume of loans granted to women and businesses led by women.

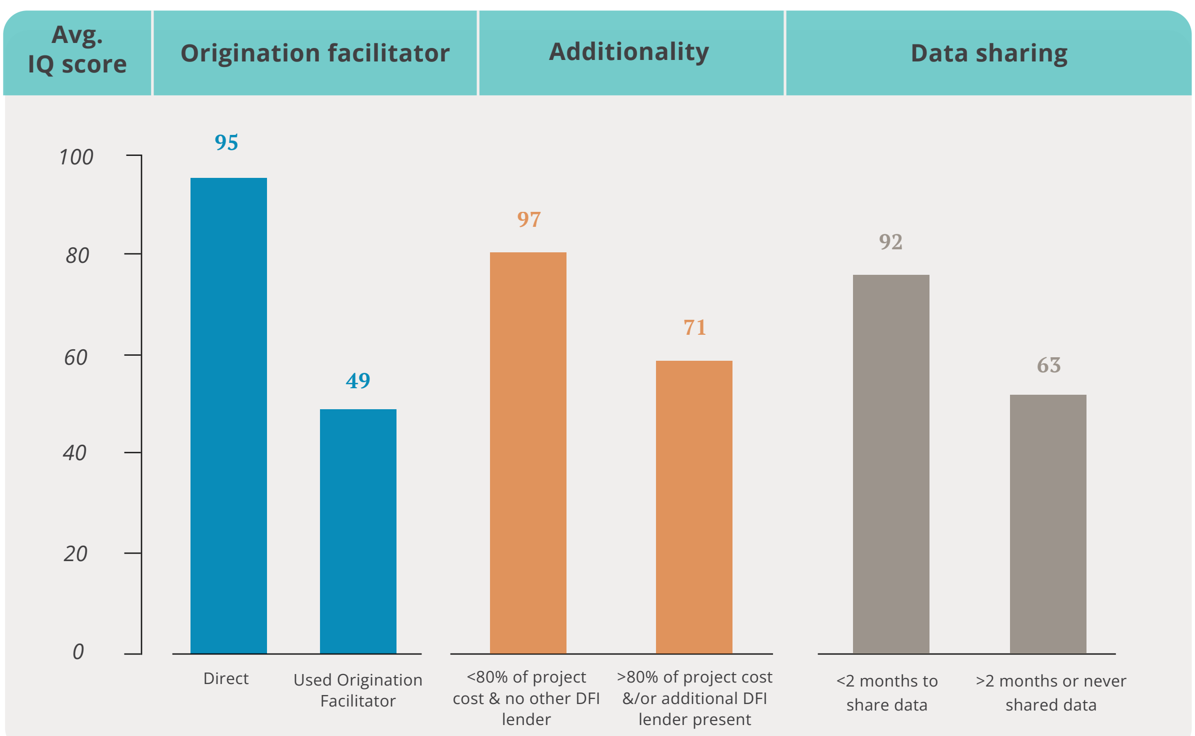
Loan Structures that Underperformed

LOAN STRUCTURES THAT UNDERPERFORMED WERE MADE THROUGH ORIGINATION FACILITATORS, DID NOT INTENTIONALLY SERVE TARGET CUSTOMERS, LACKED CLEAR ADDITIONALITY AND DATA

- Five of the eleven loans made through origination facilitators did not share data during the assessment and consequently were scored as indeterminate. The origination facilitator did not adequately engage or monitor the financial intermediaries it originated, such as **FI 28** in Country D, where underperformance during the COVID pandemic was not detected or reported in a timely manner to DFC. Many transactions issued by the origination facilitator were guarantees, which may have been a factor behind the FIs taking the data requests less seriously.
- DFC loans were relatively small in these FIs' overall lending portfolio. Because FIs like **FI 24** in Country E receive a $10 million loan guarantee that was small fraction of its loan portfolio.
- Where FIs lacked clarity on the development objectives or DFC's impact reporting requirements, these went unfulfilled. **FI 23** in Country E, for example, was unaware of the goal of reaching low-middle income clients, and it refused to report data during our evaluation.
- Some FIs did not take specific actions to intentionally serve customer segments, a stated purpose of the loan. **FI 19** in Country F for example, decreased the value and volume of loans to 2X-aligned borrowers during the loan period and thus did not meet the development objective of increasing access to new women borrowers.

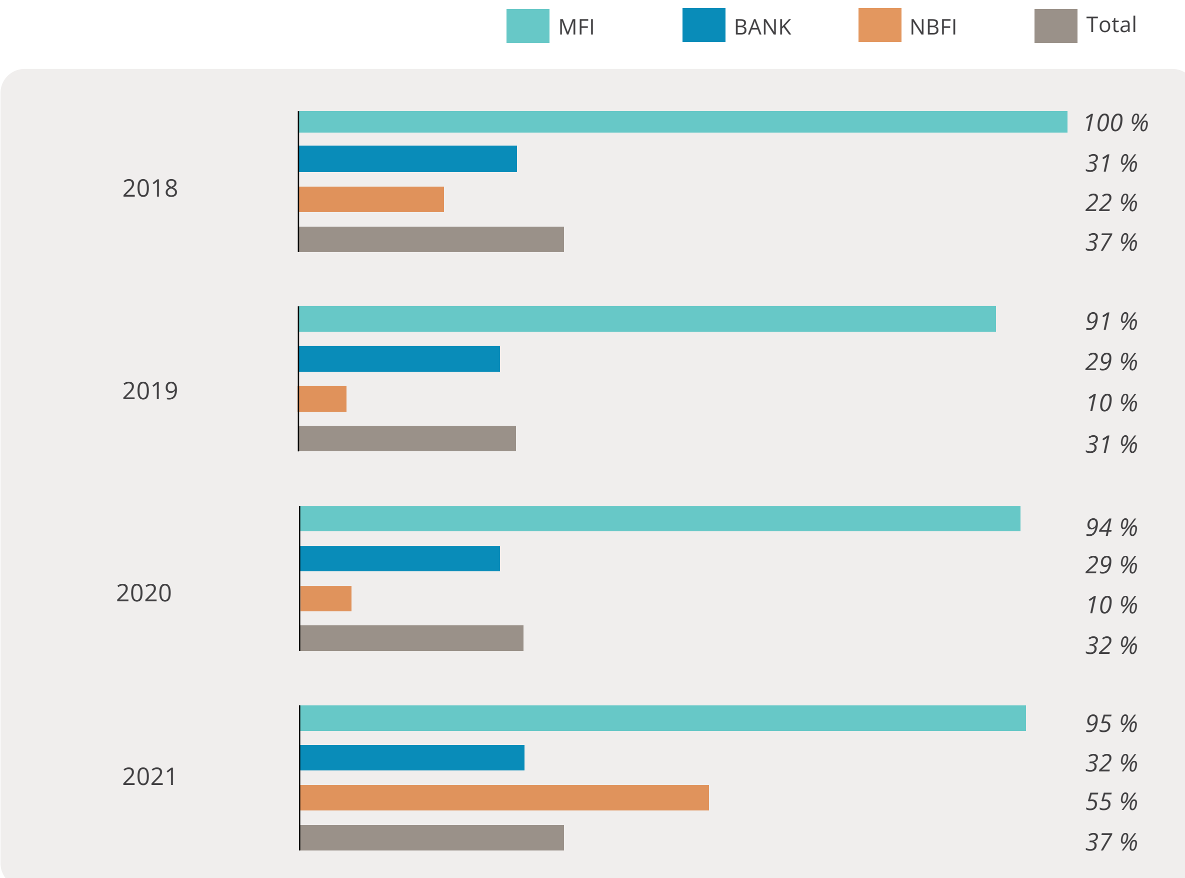
ALL ELSE EQUAL FACILITATED ORIGINATIONS, LOWER ADDITIONALITY AND SLOWER DATA SHARING HAD LOWER IQ SCORES

Average IQ score broken down by facilitated by originator, level of additionality and time to share data[10]:



MOST FIS HAVE NOT INTENTIONALLY TARGETED WOMEN BORROWERS

Percentage share of women clients by type of financial institution (2018–2021)



- **FIs have not increased the share of women in their portfolios over time**
  On average, between 2018 and 2021, the supported FIs experienced no growth
- **The lack of improvement in the share of women served** is partially explained by the fact **that most FIs are not intentional in attracting, serving, and meeting women clients' needs**
- **The 2X classification did not generate incentives to move the needle in increasing women's economic empowerment"**
- **2X is still not widely (1) understood by FIs, or (2) applied by DFC**
  2X FIs still have trouble applying the 2X criteria, and as such are predominantly utilizing criteria 1
  There is an opportunity to clarify the definition of 2X borrowers (i.e., definition also includes enterprises that serve women's needs)

FI 24 IS EXAMPLE OF A INDETERMINATE LOAN DUE TO LACK OF RESPONSIVENESS, LACK OF GROWTH AND LOW ADDITIONALITY COMPARED TO OUTSIDE SOURCES OF

The SME loan guarantee to FI 24 underperformed for the following reasons:

Originated through a loan facilitator:

« This loan guarantee was originated through a loan facilitator and was unresponsive to multiple interview and data requests over the four months of the performance assessment.

Did not intentionally target and grow loan portfolio to target customer segment:

« FI 24 did not grow its lending portfolio to SMEs and tended to provide loans to larger more well-established SME borrowers that already had access to finance in Country E. According to data collected through the FAR average assets of its borrowers were >$2M. In addition, only a small percentage (8%) has gone to women-led or women-owned businesses compared to the 17% projected at origination.

Was not additional to given small size and access to outside sources of funding:

« FI 24 was a well-established institution in Country E at origination. FI 24 in 2015 had a total credit portfolio of USD 222 M. Given that the DFC $10M loan guarantee was a relatively small proportion of overall lending and thus the additionality of the DFC-backed loan, in this case, was relatively low.

CHAPTER 3

Recommendations

FOR MORE CONSISTENT SUCCESS IN ACHIEVING THE DESIRED DEVELOPMENT OUTCOMES FROM THEIR LOANS TO FINANCIAL INTERMEDIARIES, THE DFC TEAMS COULD CONSIDER INTEGRATING IMPROVED IMPACT MEASUREMENT AND MANAGEMENT (IMM) PRACTICES ACROSS LOAN LIFECYCLES.

ORIGINATION

Use the following techniques for an impact-first mindset when screening and identifying loans:

Assess the **intentionality** of the FI management to grow the target customer segment through differentiated product offerings. Many financial intermediaries evaluated reach a high number of women and women-owned or -led businesses but are not increasing the share of women served. Few intermediaries proactively design products and services to better serve this segment.

Incorporate **climate and sustainability** into the assessment and value FIs taking steps to improve their operations' and portfolios' impacts. Some FIs implement practices to improve their environmental performance, and this could be given more consideration during screening.

Increase **developmental additionality** by:

- Targeting segments not served by commercial banks; e.g., FI 4 provides loans of <$1M to Agri-SMEs, and FI 10 and 15 provide low-income housing guarantees to customers without access to housing loans.
- Ensuring that DFC's offerings, such as longer tenors, are passed on to end borrowers. Many FIs made good use of longer DFC loans to extend the tenor of their own loans to end borrowers.
- Making loan sizes relevant to the total size of the FI's portfolio. Small financial institutions showed more evident signs of financial additionality from DFC loans, including attracting other foreign investors and improving liquidity.

Use origination facilitators strategically and selectively to effectively identify and engage financial intermediaries that can reach targeted populations. Origination facilitators should be able to demonstrate (and be evaluated on) the ability to communicate development objectives to financial intermediaries, collect the impact data used to measure development performance, and ensure compliance with development policy data reporting requirements.

LOAN APPROVAL AND UNDERWRITING

These techniques can help strengthen IMM requirements and increase the focus on inclusion and innovation.

Strengthen development-related loan covenants to penalize borrowers for lack of cooperation or insufficient reporting of development impact data or to reward those that adequately report impact data. The current loan agreement template does not consider legally binding clauses on sharing information on development objective performance and compliance or create incentives for FIs to share development objective performance and compliance information with DFC

Monitor and enforce the target loan sizes provided by FIs to ensure they achieve the intended loan impact. Several FIs average loan sizes were much higher than projected at origination, indicating they had favored larger, more established businesses, thus reducing their portfolios' inclusiveness.

Combine loans with technical assistance on IMM data collection and reporting good practices to address knowledge identified during the assessment gaps in FIs' skills and expertise.

IMPACT MONITORING AND RESULTS REPORTING

DFC teams can use these techniques to enhance clients' voices.

Support FIs to increase their ability to report impact on targeted populations by defining target customers (such as 2X or SME) according to the specific country context. For example, several FIs reported that IFC MSME definition thresholds included firms considered large by national indicators. Reconcile DFC-specific definitions to adapt information to the FIs' situations and needs.

To address DFC and FI capacity constraints in directly monitoring loan impact, **collect FI-generated customer satisfaction data and selectively use third-party data collection services** to gain enhanced perspectives from end borrowers on the impact of the financing on their livelihoods.

Add an Underperforming category to ex-post evaluations using IQ for loans not demonstrating growth in the target customer segment aligned with development objectives or failing to meet all development objectives despite a high IQ score due to the quality of the loan design.

Appendixes

Appendix 1: Methodology

Between October 2021 and March 2022, Dalberg reviewed 36 loans across 29 financial intermediaries in nine countries to attain a comprehensive view of their performance against development objectives and to identify lessons learned. The loans, ranging from US$5 to $250 million and with tenors from five to 30 years, originated over the last decade and were provided either directly to commercial banks, microfinance institutions, and non-bank financial intermediaries or indirectly through origination partners to assess and synthesiæ results from this diverse portfolio, we used as a unifying theme DFC's overall development objective of growth in its Latin American target portfolio(s): underserved populations and enterprises.

To assess the loans' performance against this objective, the Dalberg team evaluated the performance of financial institutions and their relevant portfolios across three dimensions: (1) development outcomes, (2) compliance, and (3) sustainability. To ensure consistency and practicality, the performance assessment leveraged the DFC's Development Impact Quotient (IQ) methodology to assess the scale, inclusion, and innovation of the development outcomes. **The compliance dimension aimed to understand whether financial intermediaries were complying with DFC's "use of proceeds" loan requirements and its environmental and social requirements. The sustainability dimension aimed to understand whether positive impacts in the specific portfolios were likely to be sustained after the DFC loan matures.**

To ensure consistent and standardiæd performance measurements across the 29 financial intermediaries, **four categories were used to score the overall performance of each financial institution on the three dimensions of development outcomes, compliance, and sustainability.**

Outperforming	Financial institutions are in compliance with DFC loan requirements; demonstrate they have exceeded the original development targets; and have achieved development impacts that are likely to be sustained.
Satisfactory	Financial institutions are in compliance with DFC loan requirements and demonstrate that they meet DFC's developmental targets and their development impact is likely to be sustained.
Underperforming	Financial institutions are not in compliance with DFC loan requirements and/or are not meeting developmental targets and are unlikely to sustain existing positive impacts.
Indeterminate	The financial institution did not provide the data necessary to assess performance.

Appendix 2: Table of recommendations for DFC mapped to relevant FIs

At Origination	Relevant FIs for recommendation:
Assess the intentionality of the FI management to grow the target customer segment through differentiated product offerings, particularly for 2X loans.	• **FI 19** does not have policies to reach women and did not meet the 2X target. • **FI 7** was not aware of being a 2X loan or even of what 2Xmeans. • **FI 9** does not have differentiated products to address the unique needs of 2X entrepreneurs.
Incorporate climate and sustainability into the assessment, and value the FIs that are takings steps to improve the impact of their operations and that of their portfolios.	• **FI 29** expressed interest in exploring green investments. • **FI 17** is expanding its climate-smart portfolio to individual and small business borrowers. • **FI 5** recently issued a Green Bond for renewable energy, greenbuilding, energy efficiency, and cleaner production subprojects for SMEs in Country C.
Increase additionality by targeting FIs that serve client segments that are not being served by commercial banks and by ensuring that favorable loan terms are passed on to FI customers.	• **FI 4** is providing loans of <$1M to Agri-SMEs. • **FI 10 and 15** are providing low-income housing guarantees to customers without access to housing loans. • **FI 16** was also able to offer longer tenors due to DFC financing. • **FI 2** raised the tenor from 60 to 96 months due to DFC's loan. • **FI 7** provides home improvement loans to underserved low-income borrowers. • **FI 19** increased the tenor of their loans from 50 to 58 months to 79 months. • **FI 21** increased the tenors from a range of 40 to 48 months to 60 months; however, the FI had access to other DFI financing at the time of the DFC loan. • **FI 24** developed a leasing product with lower transaction costs and interest rates for SMEs than their traditional loan products.
Use origination facilitators more strategically and selectively.	• **FI 27**, managed by a loan origination facilitator, is not reaching the loan objectives. • **FI 22**, a loan manged by an origination facilitator, did not provide any of the requested data and was unresponsive to requests for interviews with staff and clients. • **FI 25**, a loan managed by an origination facilitator, does not monitor compliance with use of proceeds requirements. • **FI 28** performed poorly, and the origination facilitator did not monitor the loan to detect this issue early on. • **FI 24's** SME portfolio appears to be decreasing over time.

At Loan Approval and Underwriting	Relevant FIs for recommendation:
Strengthen development-related loan covenants to penalize borrowers for lack of cooperation or insufficient reporting of development impact data.	• **FI 25** was unresponsive and did not provide sufficient data for the evaluation, despite indicating that it placed high value on its relationship with DFC. • **FI 22** did not provide current information to enable a determination on its compliance with covenants. • **FI 23's** management questioned whether reporting the information requested was legally binding.
Enforce the target loan sizes provided by FIs to ensure that the impact of the loans is achieved.	• **FI 4's** average loan size was US$1 million, larger than DFC's target of US$667,000. • **FI 11** has an average loan size of US$856,000, larger than DFC's target of US$755,000. • **FI 8's** average loan size for the project has risen to ~US$170K, compared to the estimate of US$50K established at origination.
Combine loans with technical assistance on IMM data collection and reporting good practices.	• **FI 25** could benefit from technical assistance to standardize impact measuring and monitoring across all Member Entities and to develop a consolidated impact management and measurement system. • **FI 24** required technical support to improve its environmental and social plan. • **FI 1** requires support to develop a strategy to aggregate these indicators and present them in an easy-to-read format.

At Monitoring and Reporting	Relevant FIs for recommendation:
Provide more specific definitions of target customers (such as 2X or SME), specific to the country context.	• **FI 19** had data for locally defined SMEs, but had issues submitting data for IFC-defined SMEs. • **FI 24** tracks its SME portfolio using the local definition of an SME, which does not coincide with the IFC SME definition used by DFC. • **FI 16** reported that its contract capped annual sales at US$10 million, when federal law defines an SME enterprise as having sales up to US $1.1 million.
Collect customer satisfaction information and selectively use third-party service providers selectively to collect additional end borrower perspectives on the transformative impact of financing.	• **FI 7** measures customer satisfaction through surveys when the term of the loan ends. • **FI 9** uses a platform that sends a short satisfaction survey to any person who has interacted with the bank to measure clients' satisfaction. • **FI 13** is currently implementing a survey through 60 Decibels to send to end beneficiaries. • **FI 1** is currently implementing a survey through 60 Decibels to send to end beneficiaries. • **FI 2** is currently implementing a survey through 60 Decibels to send to end beneficiaries.
Add an "underperforming" category to ex-post evaluations using IQ to indicate loans that do not demonstrate growth in the target customer segment aligned with the development objective.	• **FI 19** was rated as underperforming, as its overall portfolio is shrinking and it did not reach the targeted number of women clients. • **FI 26** no longer provides housing loans to middle-income clients.

ENDNOTES

1. To score the development outcomes dimension, per guidance of and request from the DFC team, we used the IQ tool at the evaluation stage, scoring using the following logic: Highly Developmental on IQ = Outperforming for our assessment; Developmental on IQ = Satisfactory for our assessment; and Indeterminate on IQ = Indeterminate in our evaluation.

2. To score the development outcomes dimension per guidance and request from the DFC team we used the IQ tool at evaluation stage and scored along the following logic for our evaluation: "Highly Developmental" for IQ = "Outperforming" for our assessment, "Developmental" on IQ = "Satisfactory" for our performance assessment; and "Indeterminate" on IQ = "Indeterminate" in our evaluation. However, there are three exceptions to this scoring logic which were rated as 'underperforming' and is explained on page 9 and 10.

3. The sum of financial intermediaries is 30, rather than 29, as FI 2's loan focuses on both Country B and Country E. Also, the sum of loans is 37 rather than 36, again because FI 2's loan focuses on Country B and Country E.

4. The sum of DFC's investments exceeds USD 2.3 billion, as one FI could focus on more than one theme.

5. MSME includes loans that the FI provide to microenterprises only or both microenterprises and SMEs; while SME only provides loans to SME end borrowers

6. The estimate of total number of DFC clients reached includes only the Fis where data was reported, and the relevant loan portfolio grew. This number sums the SME, housing and MSME loans as 2X aligned loans would double count since they are both 2X aligned and MSME, SME or housing.

7. Growth of the relevant portfolios assessed for each FI was calculated by estimating the change in the value/volume of outstanding loans at disbursement to value/volume in 2021

8. The number of clients reached through DFC' loan was calculated by adding the total number of DFC supported clients served from 2018-2021 reported by each financial institutions in the Data Request Tool used by the evaluation team. For the cases where the FI did not provide the information, the Dalberg team calculated the numbers of clients reached by dividing DFC's loan size by the average loan size per client of the relevant target portfolio.

9. To score the development outcomes dimension, per guidance of and request from the DFC team, we used the IQ tool at the evaluation stage, scoring using the following logic: Highly Developmental on IQ = Outperforming for our assessment; Developmental on IQ = Satisfactory for our assessment; and Indeterminate on IQ = Indeterminate in our evaluation. Two FIs were exceptions to this scoring logic: FI 19 was rated Developmental on the IQ but as Underperforming on our assessment of development outcomes as its target portfolio (as stated in their development objectives) has been shrink ing since origination; and FI 24 is rated Indeterminate in the IQ but Underperforming in our assessment of development outcomes as it was able to share data, but its impact performance did not pass the 37.5 threshold to be considered developmental.

10. Loan size, loan tenor length and number of development objectives were all statistically significantly correlated with IQ scores with 90% confidence interval.