

Grameen Foundation Growth Guarantees

Grameen Foundation (GF) empowers the world's poorest people to lift themselves out of poverty through access to financial services and to information. With tiny loans, financial services and technology, GF helps the poor start self-sustaining businesses to escape poverty. Founded in 1997, Grameen Foundation's global network of microfinance partners reaches more than 13.5 million people across Africa, the Americas, Asia and the Middle East.

The GF Growth Guarantees is a US\$60 million financing program for MFIs whereby credit guarantees, in the form of a Citibank Standby Letter of Credit (SBLC), are leveraged at the local level through a variety of local financings. The Growth Guarantees aims to foster long term relationships between MFIs and local commercial banks. These relationships will increase local currency financing options for MFIs to expand outreach to micro-entrepreneurs, particularly women, thereby maximizing impact on the poor and their families. To date, the program has generated over US\$140 million in financing for MFIs globally.

GF seeks to work with high growth, professionally managed MFIs that have a documented poverty focus. This includes existing GF partners as well as MFIs with whom GF does not currently have a relationship. MFIs from throughout the developing world will be considered.

Minimum Criteria for MFIs

Category	Guidelines
Size	At least 10,000 clients or loan portfolio greater than US\$2.5 million
Mission	Mission to serve the poor demonstrated by at least one of the following: Awards and/or industry reputation, impact study, usage of a social performance tool, and/or low average loan size versus in-country peers
Age	In operation for at least 3 years with full financial statements, at least the last 2 years professionally audited
PAR	Portfolio-at-risk greater than 30 days < 5.0%
OSS	Near or above full operational self-sufficiency

Guarantee Terms and Conditions

Category	Guidelines
SBLC Amount	Minimum guarantee is US\$100,000; maximum is US\$5 million
SBLC Structure	US\$, irrevocable SBLC available upon first demand. The GF guarantee is a partial guarantee covering principal only.
SBLC Tenor	Maximum 5 years
SBLC Purpose	Used to leverage local currency financing, for loan portfolio expansion, not working capital or capital expenditures.
Target Leverage on SBLC	GF guarantee should be leveraged at least 5-10x by local commercial bank
Guarantee Fee to MFI	Up to 6% annually on the SBLC amount. The fee will cover: 1) the cost of the issuance of the SBLC by Citibank to Local Bank, and 2) a portion of GF's costs to provide the guarantee and its value-added services
Type of Guarantee	Pari passu or first loss guarantee. Guarantee covers principal only.

Category	Guidelines
Local Bank	Must be a local bank or financial institution or the local affiliate/subsidiary of an international bank or financial institution. Both public and private institutions are acceptable. Apex institutions are not eligible.
Financing Structure Supported	Negotiable and flexible-based upon local market conditions. Can include direct lending (either lines of credit or term loans), and more complex transactions such as securitizations, the partnership model, bonds, and private placements (<i>Subject to Regulatory Approvals</i>)
MFI Eligibility	Poverty-focused MFIs that meet minimum eligibility requirements
Security from MFI	None required. SBLCs secured exclusively by Donor-Guarantor pool
Documentation	Signed Service Agreement acceptable to GF and participating MFI and GF review of Loan Agreement between In-Country Bank and MFI. Agreement to accept Citibank SBLC format.

Internal Transaction Process

Stage	Detail	Timing
Initial Review	<ul style="list-style-type: none"> Screen MFI for minimum eligibility criteria: Poverty focus, and financial and operational performance 	1-3 weeks
Preliminary Assessment	<ul style="list-style-type: none"> Desk review of MFI: Audited financials, third party ratings, conversations with MFI, legal documents 	
Detailed Due Diligence	<ul style="list-style-type: none"> Onsite due diligence of MFI: Due diligence conducted by GF or qualified third party Outputs: Due diligence and analyst report, risk score 	2-4 weeks
Approval Process and Documentation	<ul style="list-style-type: none"> Two levels of internal approvals: Credit Committee and Investment Committee Execution of Service Agreement between MFI and GF including Loan Agreement 	2-4 weeks
<p>Structuring and negotiations between MFI and Bank occurs simultaneously which can lengthen the process to 3 months. GF can provide value-added knowledge and assistance to the MFI during negotiations with the Bank to help the MFI achieve better terms.</p>		
Monitoring	<ul style="list-style-type: none"> Quarterly monitoring of MFI through the SEEP FRAME Tool to ensure covenant compliance, actual financials in line with projections, and MFI is maintaining its poverty focus 	On-going

What are the next steps?

- **GF will need the following to begin our preliminary assessment**
 - Historical audited financials and annual reports for the three most recent years
 - Financial projections through the life of the proposed loan
 - Latest version of business plan through the life of the proposed loan
 - External rating from a third party rating agency or agreement to get one
 - List and brief bio of Board members and senior management
 - Copy of incorporation documents
 - Details of current funding liabilities and existing guarantees
 - Details of current banking relationships

For more information about participating in the Growth Guarantees, please contact:		
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