Microfinance in Denmark
State of the Sector 2010
Microfinance in Denmark: State of the Sector 2010

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About Danish Forum for Microfinance
Danish Forum for Microfinance is an umbrella organisation of Danish NGOs, private companies, and financial institutions working with microfinance in developing countries. The Forum was founded in 2009 and has 50 member organisations. The objective of the Forum is to facilitate capacity building of the actors within the Danish microfinance sector as well as advocacy and information dissemination to the general public about microfinance.

www.mikrofinans.dk
Executive summary

The purpose of this report is to present the status of the Danish microfinance sector anno 2010. Information has been collected both in questionnaires and in semi-structured interviews with selected organisations. 23 NGOs, 5 private sector organisations, and one public investor have undertaken microfinance projects in 2010. These 29 organisations form the basis for the analysis. The results of the analysis are benchmarked against the findings from a comparable survey conducted in 2007 as well as similar international surveys. This is done to establish trends indicating the developments in the Danish sector.

Several findings suggest that the Danish organisations are becoming more focused and are developing specialised skills within the area of microfinance. The budget, the resources base, and the knowledge of microfinance all appear to have grown, and the sector today seems better equipped to undertake microfinance activities than in 2007.

The organisations engaged with microfinance are very diverse and range from small volunteer NGOs to large institutional investors. Combined with the limited number of organisations within each category of engagement, this makes it difficult to make general conclusions on the status of the sector. However, the Danish sector is dominated by NGOs and their experiences are concentrated on microfinance as a tool for development of the civil society. This focus might be explained by the Civil Society Strategy under which Danida extends funding to NGOs. The strategy is focused on collaboration between civil society organisations and as such focus microfinance as a tool for civil society development e.g. institutional strengthening of SACCOs and NGO-MFIs or using savings and credit groups as means for empowerment. It may however be more difficult to obtain funding for collaboration with private sector MFIs or for upgrading microfinance projects into specialised private sector providers of microfinance such as NBFI or regulated MFIs. This may explain why Denmark, in contrast with other donor countries, doesn’t yet have even one single NGO specializing in MFI support.

When comparing to the findings in the 2007 survey it is evident that the priority of the organisations’ capacity building activities has not changed significantly, though support for new MFIs or microfinance units in the partner organisation has decreased. This could indicate that the organisations have learned from experiences that starting new microfinance units in organisations with a different focus and no specialised skills is a challenging task that often fails. However, the Danish organisations are to a high degree still working with non-specialised local partners. This is explained by the focus on savings and credit groups, where the local partner must be specialised in setting-up groups rather than in the provision of financial services. None of the organisations working with savings and credit groups regard their partners as specialised in microfinance.

The majority of Danish organisations strive to obtain institutional and financial sustainability in their projects. Less than a third of the organisations have achieved this target in all the projects they are currently engaged in and most have mixed experiences from project to project. It takes time to achieve sustainability especially if the aim is to build larger structures that are able to reach a significant number of people with financial services. Typically, the Danish organisations have a long-term focus in their projects, though time limits in funding obtained sometimes require them to work with shorter project periods. Another explanation is that the organisations typically withdraw as soon as sustainability in the project has been achieved for example when working with savings and credit groups.


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A. Introduction

Microfinance is a powerful tool to fight poverty. It gives poor households an opportunity to engage in their economic lives and thereby work themselves out of poverty. It is estimated that more than 2.5 billion people worldwide do not have access to financial services, and that microfinance today reaches only 155 million people\(^1\).

The aim of this report is to provide insight into the status of the Danish microfinance sector anno 2010. Information has been collected both in questionnaires and in semi-structured interviews with selected organisations. The results from the analysis are benchmarked against the findings from a survey conducted in 2007 as well as equivalent international surveys. This is done to establish trends indicating the ongoing developments in the sector. Examples of the Danish organisations microfinance projects as well as quotes from the questionnaire or the interviews are presented in separate text boxes. These examples and quotes do not necessarily present best practice, but are included to contextualise the findings of the survey.

The report is published by Danish Forum for Microfinance (DFM), which is a network of Danish organisations working with microfinance. DFM was established in 2009 with the objective of strengthening the capacity in the Danish sector as well as increasing the awareness about microfinance in Denmark. Today DFM has 47 member organisations counting NGOs, public institutions, and private sector companies including a few commercial banks. It should be noted that several of the member organisations are not active in microfinance either because they work through other organisations or because they have not yet started their microfinance activities. All organisations included in the analysis have been active in microfinance in 2010. The table below presents an overview of how the findings are presented in the report.

\(^1\) European Microfinance Week 2009 conference notes.
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A1. Definitions

**Microfinance**: Microfinance is the supply of financial services including savings, credits, insurance, and transfers to microenterprises and poor households.

**Microfinance institutions (MFIs)**: are specialised financial institutions, which focus on microfinance. MFIs may be both formal financial institutions structured as traditional banks and regulated by the central bank (**MFI-Banks**), and semiformal institutions such as NGOs (**NGO-MFIs**); None Bank Financial Institutions (**NBFI**); as well as member based organisations such as **SACCOs**.

**MFI-Banks**: Are formal financial institutions structured as traditional banks and regulated by the central bank, but focused on offering microfinance products. In some countries the regulation allows microfinance institutions offering a limited range of products to become regulated under less strict requirements than traditional banks. These institutions are sometimes called micro deposit taking institutions (**MDIs**), as the regulation allow them to offer deposit and savings services to the public.

**NBFI**: Non-bank financial institutions are companies, registered under the countries companies act, offering credit.

**Non-governmental organisations (NGOs)**: are non-profit, civil society organisations not affiliated with any government and devoted to managing resources and implementing projects, with the goal of addressing social and socio-economic challenges.

**NGO-MFIs** are NGOs specialised in provision of microfinance.

**Revolving fund**: is a source of money typically provided by a donor for the purpose of funding a loan portfolio on a continuous basis. A revolving fund does typically not accrue interest and is not meant to be repaid. From the revolving fund loans are made to clients and repaid with interest, so the fund is maintained and money can continuously be lent out.

**SACCO**: Savings and Credit Co-operatives (SACCOs) are member-based organisations offering financial services to their members.

**Savings and credit groups**: is an umbrella term including both traditional and newer community based group methodologies for providing microfinance for example the VSLA-model.

**Village savings and loans groups (VSLA): The VSLA-model** is a savings-based approach developed by Care International with the purpose of reaching people, who live in places where banks and MFIs do not have a presence. Small groups of up to 25 people living in the same community save together and have access to small interest bearing loans from the pool of capital collected. These small local pools of capital to satisfy household cash-management needs and offer group members profitable savings, insurance, and access to credit.

**Wholesale loans**: a loan extended to a microfinance provider for on-lending to clients.
A2. Methodology

341 Danish organisations were invited to participate in the survey via an online questionnaire. These 341 organisations include DFM members, Danish NGOs in general, as well as public institutions and private companies engaged in microfinance. Important follow-up has been done to ensure that organisations likely to be engaged in microfinance as well as the largest Danish NGOs have replied to the questionnaire.

58 organisations participated in the survey, resulting in a response rate of 17%. Out of the 58 organisations 29 replied that they have worked with microfinance in 2010. These 29 organisations form the basis for analysis. The average response rate to the individual questions is 80% and varies between 48% and 93%. Wherever the response rate is particularly low it is mentioned in a footnote and addressed in the analysis. In addition to the online questionnaire 9 of the participating organisations were interviewed in order to get deeper insight into their experiences (see Appendix 3: Organisations interviewed).

Based on DFMs knowledge of the sector it is assessed that the majority of the Danish organisations working with microfinance did participate in the survey. The organisations not participating, but working with microfinance, are relatively small and as such they would only have had a very limited influence on the results of the survey. In other words, the survey is assumed to give a realistic overview of the Danish sector for microfinance. A list of participants is given in the Appendix 1: List of participants and Appendix 2: Short description of participating organisations.

A similar survey was conducted in 2007. The questionnaire from the 2007 survey has been used as inspiration and wherever possible the questions have been phrased similarly in order to make a comparison between the 2007 and 2010 findings possible. 29 NGOs participated in the 2007-survey, of which 22 also participated in this year’s survey. 13 of these are still working with microfinance and 9 have terminated their activities.²

² 10 of the 23 NGO’s that participated in this year’s survey did not participate in 2007, some because their microfinance activities started after 2007. The 2007-survey was focused on Danish NGO’s, and therefore, the 5 private sector organisations and the 1 public institutional investor participating in this year’s survey, did not participate in 2000. Summing up, 16 of the 29 participating organisations did not participate in the 2007 survey.

³ The remaining 7 organisations have been followed up on by phone. 1 organisation closed down their microfinance activities. 1 is covered in DMR-U’s reply. 2 smaller NGOs mentioned that they are still engaged in microfinance, but unfortunately has not been able to reply to the questionnaire. It is assessed that their activities would not significantly impact on the overall results of the survey. The remaining 3 organisations have not been reached despite several efforts. These are all smaller volunteer NGOs and it is likely that some of them have closed down activities.
B. Findings

23 of the 29 participating organisations are NGOs, 5 are private sector organisations i.e. institutional investors; banks; or companies, and the last organisation is the Danish DFI (IFU).

The NGOs engage in microfinance as a tool for development either focused on enhancing access to microfinance at a general level or for a particular target group. Generally, their focused is on development of the civil society at the community level and they utilising microfinance structures to reach these objectives. Typically, the Danish NGOs have taken the role of promoter as illustrated in Figure 1, but they do also occasionally take the role of protector or provider.

The institutional investors and banks invest debt or equity in microfinance, thereby taking the role of secondary provider as illustrated in Figure 1. The objective is to make both a commercial and a social return.

The companies engage themselves either as part of their CSR initiatives or have microfinance as a core element in their business model.

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Examples of Danish NGO's engagement in microfinance

**DMR-U** is an umbrella organisation supporting and representing 30 faith-based NGOs, hereof 6 are working with microfinance. The organisations are using different methods. While **Danmission** through SUPOTH’s project in Bangladesh is setting up self help groups and federations of self help groups as part of an empowerment approach, the **Baptist Union** is implementing the VSLA model in Burundi. In another project the focus is capacity building of SACCOs and training of young entrepreneurs.

**CARE International** is one of the world's largest humanitarian organisations and has 20 years of experience with community managed microfinance in a wide range of countries. CARE international has trained more than 3 million people in the VSLA methodology. **CARE Denmark** is implementing VSLA in programmes in Africa and Asia.

**Caritas Denmark** and their partners’ role in relation to the MFIs are to advocate for the MFIs to open offices and provide services in areas, where MFIs are not present and where there is a need. Also, the strategy of Caritas Denmark and its partners is to advise the existing MFIs about relevant services to the target groups.

**ADRA** has recently started working with savings and credit groups. Once the groups have build capacity and are well-established they plan to assist the beneficiaries to be linked to village banks and MFIs.

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4 Note! DMR-U replied on behalf of 6 of the organisations they represent. This means that the experiences from these 6 organisations are included, but when counting statistically they are regarded as one organisation.
Comparing to e-MFP’s 2010-survey of the European sector for microfinance it is evident that the Danish sector has a more narrow focus than the European sector. 79% of the Danish organisations participating in this survey are NGOs, 7% are institutional investors; 7% are banks; and 7% are commercial companies. Only 40% of e-MFPs members are NGOs and 20% are financial institutions i.e. fund managers, investment funds, or banks.

Additionally, more than half the e-MFP members invest in microfinance either as equity, debt or guarantees provided directly to MFI or via investment vehicles. Only a third of the Danish organisations have made debt investments in microfinance, and only half of these do so as investments in MFIs, whereas the other half extends capital to a particular target group without expecting a return on investment. In other words, the Danish sector has a stronger focus on microfinance as

Examples of Danish private sector engagement in microfinance

Andelskassen Oikos is a Danish cooperative bank, which since 1994 has invested in microfinance and other projects in developing countries. The loans are extended to MFIs directly or through international organisations.

Pensionskassernes Administration A/S (PKA) invests in MFIs via the Danish Microfinance Partnership, a fund which was launched in 2010. PKA consider these investments part of their ethic investment profile, but also expect the investments to pay a commercial return compared to the risk taken.

MYC4 is an online market place that links private investors to microentrepreneurs and small and medium enterprises in Africa by collaborating with local providers of microcredit. FDB is a corporative owning several chains of supermarkets. They collaborate with MYC4 using the market place to link FDB’s customers to the producer of the products sold in FDB’s supermarkets. The project is part of the CSR initiative “developing Africa supply chain”.

5 The European microfinance Platform (e-MFP) was initiated with the purpose of fostering cooperation and pursuing synergies among its members. The European microfinance Platform (e-MFP) has more than 100 member organisations including private sector and mutual banks, public and public-private development banks, non-governmental organisations, general and specialised funding agencies, consultancy, and support and research institutions. E-MFP annually publishes a directory of the member organisations and often includes basis surveys in the information provided.


7 Other categories in the European sector include consultant and support services, which represent 19%; researchers, which account for 7%; government agencies, accounting for 7%.
a tool for development of the civil society than the European sector, and a weaker focus on supporting the commercial microfinance industry via investments and capacity building of MFIs.

It should be noted that though the sector is relatively focused, the organisations engaged with microfinance are very diverse and range from small volunteer NGOs to large institutional investors. Combined with the limited number of organisations within each category of engagement, this makes it difficult to make general conclusions and recommendations for the sector as a whole.

Figure 1 visualizes how organisations can engage themselves in microfinance by taking the role as provider, promoter or protector of microfinance. Under the figure these roles are described further. The figure is presented here to assist the reader to better understand the findings presented in the following.
PROVIDE: A provider of microfinance supplies financial services either directly to the client at the retail level or via wholesale loans and equity investments. Providers of microfinance include all types of organisations providing financial services to clients as well as the institution providing loan capital to these organisations in terms of grants, revolving funds, loans, or equity investments.

PROMOTE: An organisation promoting microfinance does not provide financial services neither directly at a retail level nor indirectly as wholesale loans. Promoters seek to give beneficiaries access to financial services by building on existing structures; by linking with an MFI to reach a specific target group; by improving service provision through capacity building and training; or by establishing community based structures, where financial services are offered through independent savings and credit groups.

PROTECT: To protect refers to organisations seeking to protect microfinance clients by advocating and supporting implementation of consumer protection principles; by providing information and education about the costs and benefits of financial services; and by advocating establishment of proper national regulations and support systems.

Example of the promoter role

Børnefonden implements their microfinance activities through their local development centers. For example Børnefonden Mali acts as an intermediary, linking groups of women to professional Microfinance Institutions (MFIs). The women’s groups gather into a number of ‘umbrella’ associations and the responsibility for the repayment of loans lies with these associations. In order to allow the scheme to get started Børnefonden provides the initial guarantee funds required by the MFI. Børnefonden assists the women’s associations to formulate capacity building plans for the management of the loans, and after an initial start-up period of 3 to 5 years, Børnefonden withdraws and leaves the women’s groups to collaborate directly with the MFI. Committees of village elders ensure that ‘good moral’ is maintained in relation to the loans. By end-2009, the women’s associations enrolled in the scheme account for more than 11,000

Example of the protector role

Caritas Denmark is conscious that regulation should protect borrowers and that MFIs should meet certain threshold in terms of solvency and technical capacity. In cases where the regulation seems failing or is acting ineffectively Caritas Denmark and partners may advocate for a stronger regulation. Furthermore, Caritas Denmark and its partners will accept the responsibility to inform and warn the target groups of weak institutions to avoid that people borrow from MFIs that are not following sound practices.
B1. Mode of engagement

The majority of the Danish NGOs work with savings and credit groups or SACCOs as the provider of financial services in their projects. The private sector companies and investors typically work with MFIs including banks, NBFIs and in a few cases NGO-MFIs. Some organisations focus on a particular method they have experience with, others seek to adapt the method to the target group. Consequently they use several different methods in their projects; they sometimes collaborate with other donors, sometimes they work with microfinance as a major component, and sometimes they use microfinance as a smaller component in holistic programming. Furthermore, the Danish organisations typically engage with a long-term focus, but are sometimes restricted by time limits in the funding they have obtained.

The majority of the organisations collaborate with non-specialised microfinance providers. This might be explained by the strong focus on savings and credit groups, where the financial services are provided by the groups themselves. In such projects, the Danish organisation and their local partners operate as promoters of microfinance and the aim is to build the groups’ capacity rather than directly providing financial services. Therefore the need to be specialized is reduced.
Financial service provider

When asked which type of organisation provides the financial services to the beneficiaries the majority’s reply was savings and credit groups followed by NBFIs, SACCOs and NGO-MFIs as visualized in the figure below.

![Type of organisation providing financial services to the beneficiaries in projects undertaken by Danish organisations](chart)

9 organisations work with 2 different types of providers in different projects and 1 organisation works with all 5 types of providers. Private companies and investors typically work with MFIs including banks, NBFIs and in a few cases NGO-MFIs. A few (4) larger Danish NGOs also partner with this type of organisations, but the majority of Danish NGOs, regardless of their size, works with savings and credit groups or SACCOs. 15 of the organisations are working with the local partner as the only donor or investor, while 10 enter into partnerships, where other donors or investors are also involved.

The NGOs’ concentration on savings and credit groups and SACCOs as their mode of engagement is found also at a European level, where 2 out of 3 NGOs are active in providing or promoting community based finance⁸.

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In general, the size of the organisations has no influence on the type or number of providers an organisation works with. Some organisations focus on a method with which they have experience, others seek to adapt the method to the target groups and consequently work with different types of models.

Compared with the 2007 survey more organisations presently work with saving and credit groups, SACCOs and MFIs, and fewer organisations work with NGOs and commercial banks. This may indicate a move towards collaboration with more specialised providers of microfinance. However, when the organisations were asked if they typically work with a partner who is specialised in provision of microfinance the replies were:

- 18 organisations work with partners who have not specialised in microfinance, and
- 7 organisations work with partners who have specialised in microfinance.

The 7 organisations working with specialised partners typically work with NGO-MFIs or NBFIs, and a single organisation have replied that their specialised partner is a SACCO.

11 of the 12 organisations working with savings and credit groups have replied that their local partners are not specialised in microfinance. In other words, the majority of the organisations working with non-specialised partners do so, because the financial services are not provided by the partner organisation, but by the group themselves. The partner’s focus is to build the group’s capacity to manage their savings and credit group.

Additionally, 3 of the 18 organisations working with non-specialised partners work with SACCOs or other MFIs. It might be of concern that these types of provider organisations are not specialised in microfinance. However, when comparing the response to the question regarding microfinance being a main or minor component it becomes evident that the majority of organisations working with microfinance as a minor component do so via non-specialised partners. This may be explained by the high focus on the objective “To improve income and employment for a certain group” (see Objectives page 21). When working with “certain groups” the group’s needs are in focus and a holistic project approach is needed. Consequently the partner providing financial services to this particular group must have many others competencies and is therefore not specialised in microfinance (see the section on target group page 22).
Products

When looking at the kind of products Danish organisations offer their beneficiaries, it is evident that loans in cash are provided by the majority of organisations. Training ranks second, and thereafter ranks savings, loans in kind, insurance, money transfer systems, and 1 organisation is advising on relevant legislation.

19 organisations give access to more than one product. 2 organisations give access to loans in kind and savings only, and do not offer loans in cash. Both work with very specific target groups and only few beneficiaries. Interestingly, none of the organisations provide only training, but always do so in combination with another product offering. When giving access loans in cash or in kind approximately 1/3 give access to both group and individual loans, 1/3 gives access to individual loan only, and 1/3 to group loans only. Compared against the 2007 survey more organisations are presently including insurances and systems for money transfer in their activities.

![Figure 3, financial services provided to beneficiaries of projects undertaken by Danish organisations](image)
The loan sizes offered differ significantly from DKK 30 to DKK 20,000. The average loan size is DKK 3621, which is a slight increase from an average loan size of DKK 2720 in 2007.

As visualized above the contraction is found in the smaller loan sizes below DKK 300, which fit well with the typical provider model being savings and credit groups. The biggest loans are given for small and micro entrepreneurs and mainly from organisations approaching microfinance from a CSR or investment perspective.

Main/minor component
When examining the projects undertaken by Danish NGOs the picture has changed since 2007. Today, fewer organisations work with microfinance as a minor component, and more organisations adapt their component to the project, and reply that it varies from project to project. The number of organisations working with microfinance as a main component in all projects remains the same.

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<th>Is microfinance the main or a minor component in the organisations projects?</th>
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<tr>
<td>2010</td>
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<td>2007</td>
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Figure 5, Danish organisations working with microfinance as a minor or main component comparing data from 2007 and 2010
Project duration

15 organisations respond that they work with project periods longer than 3 years, while 11 of the organisations work with shorter project periods ranging from 1 to 3 years. The average project period is 4 years. Several of organisations have commented that they intend to extend the project period if they are able to obtain additional funding. This indicates that organisations typically have a longer-term focus, but are restricted by time limits in the funding they have obtained. Only 1 organisation works with a project period less than 1 year, and the organisation reply specifically that it relates to donor funds having been available only on short-term contracts (less than 1 year). This indicates that the Danish organisations prefer to engage in microfinance projects with a long-term focus and does so when possible.

![Figure 6, duration of microfinance projects the Danish organisations are engaged in anno 2010](image)
Administration of projects

20 of the Danish organisations administer their microfinance projects via a local partner organisation, 9 via a local department of the Danish organisation, and 6 administer as much as possible centrally from Denmark. It should be noted that several organisations have different approaches depending on the type and scope of the project.

Figure 7, shows where the projects undertaken by Danish organisations are administered from

- Directly from the Danish organisation
- From the local department of the organisation in South
- By the partner organisation
- Others
B2. Size of the Danish sector
Several factors hint at an increased commitment and a stronger focus on microfinance within the organisation engaged in the field, and fewer organisations are implementing the same number of projects as in 2007. Furthermore, the data implies that the total budget allocated for microfinance might have increased.

Number of beneficiaries reached
The Danish organisations reach a total of 182,626 beneficiaries. It should be noted that only 19 organisations replied to the question, and that 2 of the organisations not responding may be expected to reach a significant number of beneficiaries. 5 of the organisations reach more than 145,000 or 80% of the total number of beneficiaries. These 5 organisations are larger Danish NGOs and engage either via SACCOs or savings and credit groups. 5 organisations working with microfinance on a voluntary basis reach a total of 976 or 0.5% of the total number of beneficiaries. They are primarily focused on extending credit directly to very specific target groups. As visualized in the figure below the majority of the beneficiaries are offered both savings and credit.

It should be noted that the Danish organisations do not necessarily provide financial services directly to these beneficiaries or via wholesale loans to financial service providers (see figure 1). The Danish organisations are often promoters of microfinance rather than providers and typically focus on capacity building rather than direct financial service provision.

![Pie chart showing beneficiaries' access to savings and loans](image)

Figure 8, beneficiaries' access to savings and loans

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9 Dansk Flygtningehjælp and Andelskassen Oikos
10 Caritas Danmark, Baptist kirken, Folkekirkens Nødhjælp, Care Danmark, and Børnefonden
Budget for microfinance activities

The total budget allocated for microfinance by Danish organisation in 2010 amounts to DKK 85 million, not including the DKK 400 million committed in the Danish Microfinance Partners fund. On average the budget for microfinance constitute 12% of the total budgets of the organisations who have replied, indicating that these organisations have a relatively large focus on microfinance. It should be noted that only 20 out of 29 organisations have replied to the question, and that several organisations commented that it is difficult to separate the budget for a particular year. 2 of the organisations which did not respond are larger Danish NGOs with significant microfinance projects. Therefore, the result should be used with care and the must be considered a conservative estimate of the budget allocated for microfinance in 2010.

The 2007 survey did not limit the budget question to one particular year, but included the total budget over the entire project duration. This amounted to a total budget of DKK 172 million. Assuming a project duration of 3 years which seems realistic based on the average projects duration in this survey being 4 years, indicates that the comparable budget for 2007 was lower than DKK 57 million. Furthermore, the 2007 survey did not clearly specify what was budgeted for microfinance elements, but included the entire project budget. This indicates an even lower budget for 2007, and as such hints at a significant increase in the budget allocated for microfinance in 2010 compared against 2007.

CGAP publishes an annual survey of their members’ commitments to microfinance. In 2009, they reported that 61 international donors and investors had committed $14.8 million for microfinance as of December 2008, and that new annually commitments reached approximately $3.9 billion (approx. DKK 22 billion). Half of this came from donors and the other half from investors. KfW, the German development finance institution (DFI), is the largest contributor and in general the DFI are very strongly represented. In view of these numbers the Danish commitment must be considered very low. Especially the investment focus of both donors and of quasi-commercial institutional investors in Denmark is weak compared against the international experience. Nevertheless, it should be noted that Danish Microfinance Partners was launched this year and is expected to increase the experience and commitment to this type of microfinance engagement.

11 The organisations who did not specify their budget are Dansk Flygtningehjælp, Børnefonden, Mellemfolkeligt Samvirke, International Kontakt, Mission Øst, Vedvarende Energi, DMAID, IFU, PFA Pension.
Number of projects undertaken

The 29 organisations are in total engaged in 119 microfinance projects. 107 of these are managed by Danish NGO’s and 12 projects are derived from the private companies or public funds. Compared to 2007 the numbers of projects have increased from 116 to 119.

![Figure 9, number of microfinance projects Danish organisations are engaged in.](image)

Whilst the majority in 2007 had only 1 project, the majority in 2010 has more than 5 projects. This indicates that fewer organisations are handling a higher number of projects thus getting a more widespread experience into the sector, and at the same time allocating more of their resources to microfinance.
B3. Objective and target group

Since 2007 the objective for engaging in microfinance has shifted towards the more income oriented aspects of microfinance including supporting microentrepreneurs and small scale farming. However, it is also evident that several of the Danish organisations work with specific target groups and as such use microfinance as a tool for development in more holistic projects focusing on for example HIV/AIDS patients. In generally, it is evident that the Danish organisations adapt their mode of engagement towards the target group and that they work with various types of local partners to reach a particular target group with financial services.

Objectives

When asked about the objective of engaging in microfinance projects 65% of organisations mention “To give individual entrepreneurs a possibility to expand their own business” and “To improve income generating activities”, making it the objectives mentioned by the highest number of respondents.

However, when looking at the priorities of the different objectives, the picture changes slightly. “To improve income generating activities” is prioritised highest, whereas “to improve income/employment for a specific group” is prioritised second highest. This shows that the objective for engaging in microfinance is mainly tied to an aim of improving the beneficiaries’ possibilities for generating income. However, it also indicates that several of the Danish organisations work with specific target groups. The target groups mentioned by the respondents include women, farmers, poor people, refugees or internally displaced people, people living with HIV/AIDS, SME’s, people living in a certain geographical area, people involved in environmental sustainable production.

![Figure 10, objective for engaging in microfinance anno 2010 (points given by priority).](image)
When comparing against the 2007 survey it is evident the objectives of the microfinance activities have shifted slightly towards the more income oriented aspects of microfinance. While “To support women’s empowerment” was mentioned by the majority of the organisations in 2007, it comes out as number 4 in 2010. Additionally, “To improve income generating activities” in general and “for a certain group” is prioritised higher in 2010, and “To give individual entrepreneurs an avenue to start own business” has been mentioned by 83% compared to only 24% of organisations in 2007.

Quotes: Other objectives mentioned in questionnaire

*To create social structures and a platform for other activities and interventions.*

*To give groups and individuals practical experience with loans, interests and savings.*

*To strengthen partnerships between small Danish farmers and small farmers in Burundi and to plant and utilize the land that has been idle since the civil war.*

*To fight HIV and AIDS.*

*To give our (red: Danish) customers an avenue to engage in sustainable development in developing countries by giving access to loan funds.*
Geographical focus
The 29 Danish organisations working with microfinance span a broad geographical area and have activities in 42 countries in Asia, Latin America, Europe and Africa. Compared to 2007, when Danish organisations were active in 28 countries, this shows a broader geographical outreach. Additionally, as shown in the map below, there has since 2007 been a change in geographical focus with a stronger focus on Africa, where 72% of the organisations have activities. Activities have ceased in 7 countries and started in 21 new countries particularly in Africa. The same trend is found at a European level where 76% of e-MFPs members’ activities are focused on Africa in 2010, which is an increase since the previous year.³

Target group

The target groups of the different organisations vary a lot, and 20 of the organisations have more than one target group or a combination of 2 or 3 target group categories, for example female microentrepreneurs in rural areas.

Figure 11, target groups by demography comparing 2007 and 2010

Comparing against the findings in the 2007-survey it is evident that the focus on target groups engaged in business activities such as small scale farming or microenterprises has increased, whereas the focus on low income people has decreased. This may be explained by the survey also including private sector organisations that invest debt or equity in commercial microfinance institutions, as it may be difficult for these institutions to reach the lowest income groups on commercial terms.

Figure 12, target groups geography comparing 2007 and 2010

Rural populations
People from conflict areas
Urban populations
Semi-urban populations
Women account for approximately 66% of the total project beneficiaries whereas youth stands for 20%. Analyzing the target groups from a geographical perspective it is evident that rural populations make up a large part of the beneficiaries.

Organisations targeting women and people living in rural areas mainly use savings and credit groups or SACCOs as the providers of financial services. SACCOs are also the preferred tool when the target group is small scale farmers. Organisations targeting microentrepreneurs mainly work with NGO-MFIs, NBFIs or Banks, and these partners are also mentioned by organisations targeting people living in rural areas. This indicates the Danish organisations adapt their engagement to the target group and that they work with various types of local partners to reach the target group with financial services.

Example of special target groups

**The Danish Refugee Council (DRC)** works with people and communities affected by armed conflict. The target groups are often in displacement. This gives an extra dimension when it comes to access to credit, because the target groups rarely have assets in terms of land or household belongings and they may not have a network in the place they live currently. DRC can assist refugees, displaced and war affected people with either direct credits, revolving loan funds for local credit schemes or by guarantees for existing MFI’s.

Example of special target groups

**ADRA** and **The Baptist Union** is implementing microfinance as a supplement to the overall HIV/AIDS project objectives, while **Caritas Denmark** is utilising microfinance as a component in agriculture projects supporting small farmers.
B4. Funding and use of funds

When examining from where the Danish organisations obtain funding for their microfinance projects and how they allocate their funds, it is found that the majority of funding comes from Danida and that the largest part is used for capacity building rather than portfolio funding. When funding loan portfolios, the majority of organisations lend capital to the financial service provider. However, revolving funds and direct grants are also used when funding loan portfolios.

The focus of capacity building is mainly on training beneficiaries and setting-up savings and credits groups. Only very few resources are spent on capacity building existing MFIs. The explanation for this may be found in the Civil Society Strategy\(^\text{14}\), which is focused on collaboration with local community based organisations, making it difficult to obtain funding to support the graduation of microfinance providers into a private sector MFI or to work with private sector microfinance providers generally.

### Funding

As previously mentioned the accumulated 2010-budget for the Danish organisations microfinance activities amounts to DKK 85 million. Only 16 of the 20 organisations who replied to the budget question were able to specify their funding sources. These 16 organisations have an accumulated budget of DKK 49 million. Of the 4 organisation who did not reply, 3 are private sector companies and unlikely to have obtained external funding. The last organisation is a larger NGO funded as a “framework organisation”. The low response rate reduces the validity of the data, but nevertheless gives an indication of the trends in the sector.

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\(^{14}\) The Civil Society Strategy is Danida’s strategy for collaboration with the civil society. The latest strategy can be found here: [http://www.um.dk/NR/rdonlyres/61692DEF-9BA9-4D10-4D1O-B281-189F78C7DF61/0/571979_Civilsamfundsstrategien_DK_WEB.pdf](http://www.um.dk/NR/rdonlyres/61692DEF-9BA9-4D10-4D1O-B281-189F78C7DF61/0/571979_Civilsamfundsstrategien_DK_WEB.pdf)
Approximately 86% of the DKK 49 million comes from Danida – either granted for “framework organisations” (72%) or for specific projects under the “grant scheme” (2%) or as “delegated funding” (13%). 13% of the funding comes from the Danish NGOs own funds e.g. from collections or membership fees. These results are equal to the findings in the 2007-survey. Other sources of funding mentioned are World Bank, EU, FAHU, Danmarks indsamling, UNHCR, SIDA, Rockwool Foundation, and One-step.

<table>
<thead>
<tr>
<th>Source</th>
<th>DKK</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Danish organisations own funds</td>
<td>6,160,000</td>
<td>12.58%</td>
</tr>
<tr>
<td>Danida - framework organisations</td>
<td>35,092,772</td>
<td>71.67%</td>
</tr>
<tr>
<td>Danida - grant scheme</td>
<td>1,080,000</td>
<td>2.21%</td>
</tr>
<tr>
<td>Danida - delegated funding</td>
<td>6,355,972</td>
<td>12.98%</td>
</tr>
<tr>
<td>Other donor</td>
<td>277,500</td>
<td>0.57%</td>
</tr>
<tr>
<td>Loans obtained by the Danish organisations</td>
<td>500,000</td>
<td>1.02%</td>
</tr>
<tr>
<td>Total budget (of respondents to this question)</td>
<td>49,466,244</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Figure 13, funding received by Danish organisations in 2010**

---

15 **Rammeordningen**:  
http://www.um.dk/da/menu/Udviklingspolitik/HumanitaerBistandOgNGOSamarbejde/NGOSamarbejde/Civilsamfundsstoette/Stotteformer/Rammeorganisationer/

16 **Tilskudsordningen/enkelt bevillinger**:  
http://www.um.dk/da/menu/Udviklingspolitik/HumanitaerBistandOgNGOSamarbejde/NGOSamarbejde/Civilsamfundsstoette/Stotteformer/Tilskudsordninger/

17 **Puljeordningen including Projektpuljen and Miniprogrammer**:  
http://www.um.dk/da/menu/Udviklingspolitik/HumanitaerBistandOgNGOSamarbejde/NGOSamarbejde/Civilsamfundsstoette/Stotteformer/Puljeordninger/

18 As mentioned previously the accumulated budget for the organisations’ 2010 microfinance activities is DKK 85 million. When asked to specify the sources of funding only 18 organisations replied. These 18 organisations have an accumulated budget of DKK 45 million. Of the 4 organisation which did not reply 3 are private companies and unlikely to have obtained external funding. The last organisation is a larger NGO funded under “rammeordningen”. The low response rate (62%) reduces the validity of the data, which should be used with care. Nevertheless, the data gives an indication of the trends in the sector.
The 16 Danish organisations using savings and credits groups or SACCOs as the provider-model, have obtained the majority of the funding from Danida – DKK 41 million. Interestingly, none of the NGOs obtaining funding from Danida collaborate with MFI-Banks. This might be explained by the Civil Society Strategy, which frames the funding extended by Danida to the NGOs. The focus of the Civil Society Strategy is on collaboration with local civil society organisations which makes it difficult to obtain funding for collaboration with MFI-Banks. This is unfortunate as commercial MFIs regulated by the central bank are often the most professional providers of financial services. Supporting MFI-banks can lead to an enhanced access to financial services and lead to innovation of products adapted to special target groups. Generally, the microfinance sector needs support both for civil society initiatives building community structures that reach disadvantaged groups with financial services for the purpose of improving their livelihoods, and for professionalising the industry by supporting the next generation of top performing MFI-Banks for example with capacity building. The later is to a large extent missing in the Danish sector.

**Use of funds - Capacity building or portfolio funding**

Looking at the allocation of funds for capacity building and financial services it is evident that the budgets for capacity building activities are prioritised. Capacity building is a promoter role and here defined as upgrading the performance ability of the beneficiaries or the organisation providing financial services via training, education, structure, or equipment. Financial activities are defined as funding the financial services provided to the beneficiaries either directly or indirectly as wholesale loans (funding the loan portfolio). This is a provider role.

62% of the organisations allocate funds for capacity building elements with an average of 71% of the budgets. 5 organisations allocate their entire budget for capacity building activities.

<table>
<thead>
<tr>
<th>2010</th>
<th>2007</th>
<th><strong>Capacity building activities</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>19</td>
<td>12</td>
<td>supported training in business management</td>
</tr>
<tr>
<td>17</td>
<td>16</td>
<td>supported training in management and book keeping</td>
</tr>
<tr>
<td>16</td>
<td>17</td>
<td>supported the training of independent savings and credit groups</td>
</tr>
<tr>
<td>15</td>
<td>16</td>
<td>supported the creation of independent savings and credit groups</td>
</tr>
<tr>
<td>8</td>
<td>13</td>
<td>supported the establishment of new MFIs or MF units in partner organisation</td>
</tr>
<tr>
<td>4</td>
<td>5</td>
<td>supported capacity building in an existing MFIs focused on administrative and operational management.</td>
</tr>
<tr>
<td>4</td>
<td>11</td>
<td>supported various other capacity building activities with a microfinance element.</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>supported activities not directly related to microfinance (economical farming, literacy training, IGA)</td>
</tr>
</tbody>
</table>

*Figure 14, focus in capacity building activities anno 2010*
When comparing to the findings in the 2007 survey it is found that the priority of the capacity building activities has not changed significantly, though the focus on training in business management directly at the beneficiary level has increased, and the support for new MFIs or microfinance units in the partner organisation has decreased slightly. This could indicate that the organisations have learned from experiences that starting new microfinance units in organisations with a different focus and no specialized skills is a challenging task that often fails.

Only, 4 organisations reply that they “have supported capacity building in existing MFIs focused on administrative and operational management”. Compared to the experience at the European level, where 32% of e-MFP members have experience with capacity building of existing institutions the Danish commitment to this areas is very low. Typically, the e-MPF members capacity build to enable the existing institutions to graduate to the next level of microfinance for example an NGO project developing into a SACCO or a commercial MFI or a SACCO/MFI developing into a microfinance bank or a conventional bank regulated by the central bank. The explanation for the limited focus on capacity building of existing MFIs might be found in the focus of the Civil Society Strategy being on community based organisations, making it difficult to obtain funding to support the graduation into a private sector MFI.

<table>
<thead>
<tr>
<th>2010</th>
<th>Portfolio funding – financing the financial services and a direct or secondary provider</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>Reply that groups only lent out own savings</td>
</tr>
<tr>
<td>6</td>
<td>Lend capital for savings and credit groups and SACCOs</td>
</tr>
<tr>
<td>6</td>
<td>Gave revolving funds for separate microfinance projects</td>
</tr>
<tr>
<td>5</td>
<td>Gave grants for funding the portfolio in MFIs</td>
</tr>
<tr>
<td>4</td>
<td>Lend capital for funding the portfolio for MFIs.</td>
</tr>
<tr>
<td>4</td>
<td>Organisations have commented that they provide financing directly to beneficiaries, mainly with in agriculture/animal production</td>
</tr>
</tbody>
</table>

Figure 15, portfolio funding provided by Danish organisations

38% of the organisations allocate funds for direct provision of financial services (funding a loan portfolio) with an average of 24% of the budgets. No organisations allocate their entire budget for direct provision of financial services.

When it comes to financing the financial services (funding the loan portfolios), the majority of organisations does so by lending capital to the financial service provider regardless of this being a savings and credit group or an MFI. However, revolving funds and direct grants are also used for funding loan portfolios. When compared to the 2007-survey no change can be identified.
B5. Sustainability and exit strategies

All Danish organisations strive to obtain institutional sustainability in their projects and most also strive to obtain financial sustainability. Relatively few organisations have achieved this target in all their projects, and most organisations have mixed experiences from project to project. The explanation can be found in the way Danish organisations typically engage in microfinance activities i.e. via savings and credit groups, where the challenge is building strong, independent community based organisations that can sustain themselves after a relatively short period of support. Typically, the Danish organisation withdraws as soon as sustainability in the project has been achieved. This is further supported by the exit strategies where the focus is on building federations, linking to MFIs, and training local resource persons. Another explanation might simply be that it takes time to achieve sustainability especially if the aim is to build structures that are able to reach a significant number of people with financial services.

Financial and institutional sustainability

Institutional sustainability is here defined as leaving permanent structures in place that allows the activities to continue after support from the Danish organisation has ended. Financial sustainability is here defined as covering all administrative costs, loan losses, and financing costs with income from the financial services provided to customers.

<table>
<thead>
<tr>
<th>Is it a goal to reach sustainability?</th>
<th>Has the goal been achieved?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>Financial sustainability</td>
<td>21</td>
</tr>
<tr>
<td>Institutional sustainability</td>
<td>21</td>
</tr>
</tbody>
</table>

Figure 16, sustainability objective and status comparing 2007 and 2010

21 organisations expect that the financial services they work with will eventually become financially sustainable. 8 organisations have already achieved financial sustainability in all the projects they work with, 11 replies that they have mixed experiences in their project or that they don’t know if they have achieved financial sustainability. 6 organisations reply that none of their projects are financial sustainable at this point.

The picture looks different when it comes to institutional sustainability, where no respondents are of the opinion that their microfinance projects are not sustainable. 11 of the organisations reply that all their projects are institutional sustainable and 13 organisations express that it varies from project to
project or that they don’t know. The expectations in terms of becoming institutionally sustainable are at the same level as for financial sustainability and 21 organisations wish to become institutionally sustainable.

This mixed picture should be seen in the light of the way the Danish organisations typically engage in microfinance activities. As mentioned above, most are focused on providing grants for capacity building rather than lending capital to fund loan portfolios. Additionally, the most popular method for engaging in microfinance is via savings and credit groups, where the challenge is building strong, independent community based organisations that can sustain themselves after a relatively short period of support. Typically, the Danish organisation withdraws as soon as sustainability in the project has been achieved. This finding is supported by the fact that only 1 of the organisations working with savings and credit groups has achieved financial sustainability in all their project, whereas 7 express mixed experiences from project to project. 4 have achieved institutional sustainability in all projects and 6 have mixed experiences in their projects.

Exit strategies
Almost half of the organisations have developed exit strategies for their project. The exit strategies mentioned by the organisations working with savings and credit groups include creating federations, setting up Village Agents to expand the VSLA project, and facilitating a growing movement of savings and credit groups.

Examples of exit strategies

Danish Mission Council Development Department has earmarked DKK 200,000 for supporting business development amongst federations of savings and credit groups in the SUPOTH project.

Børnefonden is forming a network of savings and credit groups in Benin with the objective of developing the network into a sustainable MFI.

The Baptist Union is introducing Village Agents to expand the VSLA project in Burundi and to create a local foundation for the continuation of the project. The Village Agents are typically people from the local community extensively trained in the VSLA model. They are expected to make a business of setting-up new groups replicating the existing groups after support from the Danish organisation has ended, thereby ensuring the continuation of the project.

Caritas Denmark wishes to facilitate a growing movement of savings and credit groups, as these constitute a strong platform for livelihood activities and advocacy. Caritas Denmark supports federations to sustain the groups long term as well as the development of the groups to be able to access loans and further support from banks and government schemes.

Quotes: challenges mentioned in the questionnaire

Lack of skills both in the Danish organisation and in the partners organisation.

The interest in the microfinance project is huge and the pool we have is very limited, meaning people have to wait to be allowed to borrow.

The high interest rate is a burden and difficult to explain.

Donor ambivalence, regulations, and local laws.

Coordinating the microfinance activities and ensuring institutional sustainability.

It is difficult to assess what is competitive and acceptable in relation to supply of loans and loan terms.
linking to MFIs, and training local resource persons. When funding portfolios via grants or revolving funds a few organisations have replied that when terminating the project they donate the capital to the partner organisation without assigning the capital for microfinance related activities.

B6. Experience of the Danish sector
Comparing to the 2007-survey it is evident that the Danish resource base has increased significantly. Almost twice as many are employed to work with microfinance and twice as many know of and use CGAPs guidelines. Additionally, the relatively low number of new starters combined with a relatively large proportion of the organisations having been engaged in the field for more than 6 years, and the fact that fewer organisations are working with more and larger projects, indicates that Danish organisations engaging in microfinance are becoming more focused and are developing specialized skills within microfinance. This is further supported by the fact that 9 of the organisations included in the 2007-survey terminated their microfinance activities, some quoting lack of skills and a more narrow focus within the organisation. In conclusion, the Danish sector seems more focused and better equipped to undertake microfinance activities than in 2007.

Danish resource base (employees)
Today, a total of 123 people are working with microfinance in Danish organisations. Of these 61 are employed and 62 are volunteers; 19 of these are stationed out of the country. When comparing against the findings in the 2007-survey it can be seen that the number of employees has almost doubled, whereas the number of volunteers has decreased slightly. In 2007, 106 were working with microfinance in Danish organisations. Of these only 32 were employed and 74 were volunteers.

This development indicates that the organisations working with microfinance have increasingly dedicated staff to microfinance, possibly because their experience show that staff must have a solid understanding of the area to work with microfinance in a good way.

Figure 17, employees and volunteers in Danish organisations comparing data from 2007 and 2010
Also, when looking at the number of employees working with microfinance in each organisation it is evident that more organisations have more than 3 employees and fewer have none. The organisations employing 3 or more employees can be categorised as larger organisations; they reach the highest number of beneficiaries and have the highest budgets. No organisations have more than 10 employees working with microfinance. This development indicates that the organisations working with microfinance are becoming more focused and increasingly dedicating staff to the area. This supports the finding that several of the organisations working with microfinance in 2007 closed down their activities (9), and today fewer organisations are working with more and slightly larger projects.

<table>
<thead>
<tr>
<th>Employees working with MF</th>
<th>0 employees</th>
<th>1 employee</th>
<th>2 employees</th>
<th>3 or more employees</th>
<th>na</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organisations in 2007</td>
<td>16</td>
<td>1</td>
<td>5</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Organisations in 2010</td>
<td>7</td>
<td>7</td>
<td>2</td>
<td>7</td>
<td>5</td>
</tr>
</tbody>
</table>

Figure 18, number of employees in Danish organisations comparing data from 2007 and 2010

Years of experience

The number of years the Danish organisations have been engaged in microfinance varies significantly. 1 organisation has been engaged for more than 30 years, 10 more than 6 years, 11 between 2 and 5 years, and only 3 are new actors with less than 1 year of experience. The relatively low number of new starters with less than 1 year of experience combined with a relatively large proportion of the organisations having been engaged for more than 6 years indicates that the Danish sector is becoming more experienced and more focused in their microfinance activities.

Figure 19, number of Danish organisations by number years they have been engaged in microfinance.
Knowledge of CGAP

The knowledge and use of CGAPs “Good Practice Guidelines for Funders of Microfinance” has increased significantly since the 2007-survey was conducted. 19 organisations (66%) responded that they are familiar with CGAPs guidelines compared to only 9 (31%) in 2007. Most of the organisations familiar with the guidelines integrate them fully or partly in their work, and only 2 of the organisations familiar with the guidelines reply that they do not use them. However, 16 organisations are also following other guidelines, either promoted by experts within a particular method or developed by the organisation itself and based on their experience with microfinance. Some organisations have commented that CGAPs guidelines are only to a limited degree relevant to their work, as CGAP is focused on commercialisation, formalisation, and central bank registration, which is not relevant for e.g. savings and credit groups that are focused at the community level.

<table>
<thead>
<tr>
<th>Number of organisations</th>
<th>Knowledge of CGAP guidelines</th>
<th>Use of CGAP guidelines</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>2010</td>
<td>19</td>
<td>8</td>
</tr>
<tr>
<td>2007</td>
<td>9</td>
<td>17</td>
</tr>
</tbody>
</table>

Figure 20, Danish organisations knowledge and use of CGAPs guidelines comparing data from 2007 and 2010

DFM contribution

The majority of the organisations finds that DFM’s activities have contribute to a better understanding of microfinance. Especially the contribution to “facilitating experience sharing” is appreciated. When asked how DFM can contribute going forward the organisations reply as follows:

- 20 organisations reply that they are interested in experience sharing;
- 15 are interested in courses and training;
- 10 are interested in a resource centre;
C. Summing up key findings

Several findings in the survey imply that a clean-up in the sector has happened since 2007. Firstly, 9 of the organisations included in the 2007 survey terminated their microfinance activities some quoting lack of skills. Secondly, twice as many are employed to work with microfinance and twice as many know of and use CGAPs guidelines. Thirdly, a large proportion of the Danish organisations have been engaged in the field for more than 6 years and a relatively low number of new starters are found. Fourthly, the data implies that the budget allocated for microfinance might have increased. Summing up, the budget, the resources base, and the knowledge of microfinance all appear to have grown, and the sector today seems better equipped to undertake microfinance activities than in 2007.

Private sector companies and investors have increasingly entered the sector, though compared to the global microfinance sector, the Danish sector is still dominated by NGOs, and the experiences with microfinance are mainly concentrated on microfinance as a tool for development of the civil society. It should be noted that though the sector is relatively focused, the organisations engaged with microfinance are very divers and range from small volunteer NGOs to large institutional investors. Combined with the limited number of organisations within each category of engagement, this makes it difficult to make general conclusions for the sector as a whole. Some organisations for example the quasi-commercial investors could benefit from experience sharing at an international level, where they will find many organisations engaged in microfinance in a similar way to them.

The majority of the Danish organisations engage via savings and credit groups and very few collaborate with regulated MFIs. Generally, the microfinance sector needs support both for civil society initiatives building community structures that reach disadvantaged groups with financial services for the purpose of improving their livelihoods, and for professionalising the industry by supporting the next generation of top performing MFIs, which can reach large numbers of people that would otherwise be excluded from financial services and innovate products for special target groups. The fact that the later is practically nonexistent in the Danish sector might be explained by the difficulty in obtaining funding for such projects. When examining where the Danish organisations obtain funding for their microfinance projects, it is found that the majority of funding comes from Danida and is extended under the Civil Society Strategy, which is mainly focused on collaboration with local community based organisations. Consequently it may be difficult to obtain funding for collaboration with private sector MFI or for upgrading microfinance projects into specialised private sector providers of microfinance such as SACCOs, NBFI or regulated MFIs.

When comparing to the findings in the 2007 survey it is evident that the priority of capacity building activities has not changed significantly, though support for new MFIs or microfinance units in the partner organisation has decreased. This could indicate that the organisations have learned from experience that starting new microfinance units in organisations with a different focus and no specialised skills is a challenging task that often fails. However, the Danish organisations are to a high degree still working with non-specialised local partners. This is explained by the focus on savings and credit groups, where the local partner must be specialised in setting-up groups rather than in the provision of financial services. None of the organisations working with savings and credit groups regard their partners as specialised. Additionally, several of the Danish organisations appear to work with a holistic project approach and adapt their engagement to the specific target group they work with for example HIV/AIDS patients, small scale farmers, or the rural poor. The microfinance element is in such cases a smaller component of a larger project.
The majority of Danish organisations strive to obtain institutional and financial sustainability in their projects. Less than a third of the organisations have achieved this target in all their projects and most have mixed experiences from project to project. It takes time to achieve sustainability especially if the aim is to build larger structures that are able to reach a significant number of people with financial services. Typically, the Danish organisations have a long-term focus in their projects, though time limits in the funding obtained sometimes require them to work with shorter project periods. Another explanation is that the organisations typically withdraw as soon as sustainability in the project has been achieved for example when working with savings and credit groups, where the challenge is building strong, independent community based organisations and enabling them to sustain themselves after a relatively short period of support. This is further supported by the exit strategies where the focus is on building federations, linking to MFIs, and training local resource persons, which enable the organisations to withdraw from a sustainable set-up. However, several organisations mentioned the challenges in upgrading and making a sustainable exit from microfinance projects. It would be interesting to establish best practices within this area by investigating the international experience.
Appendix 1: List of participants

1. 3F - Solidaritet og Udviklingsbistand
2. ADDA (Agricultural Development Denmark Asia)
3. ADRA Danmark
4. Afghansk Kulturforening
5. Afrika In Touch
6. Afriventure Consulting
7. Aibidji
8. Aktion Børnehjælp
9. Andelskassen Oikos
10. ANIN-group
11. ASSIST Denmark
12. AXIS
13. Baptistkirken i Danmark
14. BasicD - Basic Health & Development
15. BØRNEfonden
16. Care Danmark
17. Caritas Danmark
18. Cykler til Senegal
19. DACAAR - Danish Committee for Aid to Afghan Refugees
20. Danske Døvblindfødtes Forening
21. Danish Forestry
   Extension/Skovdyrkerne
22. Danish Muslim -AID
23. Dansk Flygtningehjælp
24. Dansk Handicap Idræts-Forbund
25. Dansk Missions Råd
   Udviklingsafdeling
26. Dansk Mongolsk Selskab
27. DANTAN
28. Dansk Røde Kors
29. FAIR Danmark
30. Familiedanbruget Sydvest
31. FDB
32. Folkekirkens Nødhjælp
33. Foreningen Faraja
34. Gargaar
35. Genvej til udvikling (GTU)
36. Ghana Venskabsgrupperne i Danmark
37. Industrialiseringsfonden for Udviklingslandene (IFU)
38. International Kontakt
39. Kirkernes Integrations Tjeneste
40. Landsforening af Polio-Trafik- og Ulykkeskadede (PTU)
41. Mellemamerika Komiteen (MAK)
42. Mellemfølkeligt Samvirke
43. Merkur Bank
44. Mestizaje.org
45. Mission-Øst
46. MyC4
47. Netværket for økologisk folkeoplysning og praksis
48. OASIS – behandling og rådgivning for flygtninge
49. OVE - Organisationen for Vedvarende Energi
50. PFA Pension
51. Plan Danmark
52. Randers Kommune
53. RAW - Rights for All Women
54. SOS-Børnebyerne
55. U-landsforeningen Svalerne
56. Ulandshjælp Fra Folk til Folk
57. Ulandssekretariatet
58. Økologisk Landsforening
   (Ulandsudvalg- og netværk)
Appendix 2: Short description of participating organisations

1. **Agricultural Development Denmark Asia - ADDA**: ADDA has 6 years of experience with microfinance. They typically engage in long duration projects and microfinance can be both a main and minor components in the projects. Currently, ADDA has a 2010 budget of DKK 2 mill for microfinance activities and implements 1 microfinance project with 1500 beneficiaries organised in various informal women groups. ADDA has one employee in Denmark working mainly with micro-finance. The funding comes from own resources and the World Bank.

2. **ADRA Danmark**: ADRA Danmark has around 10 years of experience with microfinance as a minor component in broader projects. ADRA has 1 employee working with microfinance. Currently, ADRA Danmark implements 3 projects with microfinance components. This project reaches 1200 beneficiaries through savings and credit groups. The 2010 budget is of DKK 1-2 mill, financed by Danida.

3. **Andelskassen Oikos**: Andelskassen Oikos is a bank with 3 employees and 15 years of experience in microfinance. Currently they are providing credit to 7 MFIs, and have a microfinance portfolio of DKK 8 mill.

4. **ANIN-group**: ANIN-group is a volunteer driven NGO with 2 years of experience within the field of microfinance. ANIN-group typically works with microfinance as a main component in projects of more than 3 years duration. Currently, ANIN-group runs 1 project with savings and credit groups reaching 40 beneficiaries. The 2010 budget is DKK 40,000 financed by resources raised within the organisation.

5. **ASSIST Denmark**: ASSIST Denmark and NAV Partners have joined forces and together they have 5 years of experience with microfinance. Microfinance is partly a minor and a main component in the 10 projects they are currently implementing. These projects reach 800 beneficiaries through collaboration with SACCOs and MFIs. The organisation is on volunteer engagements and has 2010 budget for microfinance activities of DKK 50,000. The funding comes from Danida as well as from own means.

6. **AXIS**: AXIS has 8 years of experience with microfinance. The organisation has 1 employee. They typically work with microfinance as a minor component in short projects periods and currently runs 1 project reaching 125 beneficiaries. The project is implemented by a project committee and has a 2010 budget off DKK 30,000. The project is funded by Danida (Minipuljen).

7. **Baptist kirken - The Baptist Union**: The Baptist Union works with savings and credit groups in 3 projects reaching 15320 beneficiaries and with a total 2010 budget of DKK 1 mill. The funding comes from Danida directly as well as through Projektåtgivningen and Minipuljen. 2 employees work with microfinance and the organisation has 3 years of experience with microfinance.

8. **Børnefonden**: Børnefonden has 15 years of experience in microfinance working with SACCOs and NGO-MFIs. Børnefonden currently runs 5 projects reaching 10555 beneficiaries. All
projects are financed by their own resources.

9. **CARE Denmark**: CARE Denmark is supporting community managed microfinance in 5 countries in Africa and Asia primarily using the Village Savings and Loans Associations Method (VSLA). They reach 12000 beneficiaries in 6 projects. Internationally, CARE has 20 years of experience in microfinance and has trained more than 3 million people in VSL groups in 33 countries. CARE Danmark has 2 employees based in Copenhagen with specialized competencies in microfinance.

10. **Caritas Denmark**: Caritas Denmark has 10 years of experience in microfinance and 3 employees working with microfinance. They work with 7 long term projects where microfinance is a minor or main component. The projects target a total of 41,000 beneficiaries through both savings and credit groups and MFIs. The total 2010 budget is DKK 20 million for the microfinance components alone. The projects are financed by Danida.

11. **Cykler til Senegal**: Cykler til Senegal currently runs 1 project where microfinance is a minor component. The project targets 1000 beneficiaries through savings and credit group and is funded by projektrådgivningen. Cykler til Senegal runs the activities on a voluntary basis and has 9 years of experience with microfinance. The organisation collaboration with a MFI until 2009, but are now focused on savings and credit groups.

12. **DACAAR - Danish Committee for Aid to Afghan Refugees**: DACAAR has experience in establishing MFIs and in separating microfinance components from the organisation in order for it to continue independently as an MFI.

13. **Danish Muslims Aid (DM-AID)**: DM-AID is running a pilot where they are establishing a goat bank targeting 15 families.

14. **Dansk MissionRåds Udviklingsafdeling (DMR-U)/ Danish Mission Council Development Department, (DMCDD)**: DMCDD is an umbrella organisation for 30 faith-based organisations, 6 of which are implementing in total 9 microfinance project that are targeting 23000 beneficiaries through saving and credit groups or SACCOs. The 9 projects have a total 2010 budget of DKK 4 million, which is funded by Danida directly and under Projektrådgivningen and Minipuljen. DMCDD has 10 years of experience with microfinance and 6 employees involved in administrating the projects.

15. **Dansk Flygtningehjælp - Danish Refugee Council**: Danish Refugee Council is the biggest organisation in terms of total budget and the only organisation working with all types of organisations offering microfinance services. The organisation is a humanitarian organisation targeting refugees and internal displaced people, who are victims of various sorts of conflicts. Funding is obtained from international donors, Danida and from own collections. Currently the organisation implements 8 microfinance projects in which microfinance is a minor component and in some cases integrated into other program strategies and objectives. Danish Refugee Council has 15 years of experience in microfinance.

16. **Dansk Mongolsk Selskab (Danish Mongolian Society)**: Danish Mongolian Society has long experience in implementing development projects in the social and educational fields. Currently, the organisation is
implementing a project focused on empowerment, organisation and self-help. Microfinance is a minor component in the project. The project has a 2010 budget of DKK 4.9 million and is targeting 6000 beneficiaries. The project is mainly financed by Danida, but also by their own resources.

17. **Dansk Røde Kors - Danish Red Cross**: Danish Red Cross have used microcredit as a tool in projects focus on reconstruction after the Tsunami in 2006, but has since that terminated the microfinance activities.

18. **Dantan**: DANTAN is currently implementing 1 project together with a local partner in Zanzibar. The project has a budget of DKK 88,000. The project is funded by Projekt puljen and implemented on a voluntary basis. The organisation has 3 years of experience with microfinance and is giving microcredit for buyers of biogas plants. Microfinance is a minor component in a short term project.

19. **Familieelandbruget Sydvest**: Familieelandbruget Sydvest is new in microfinance with 1 year of experience. The organisation is facilitating short term microcredit from the members of the Danish organisations to 10 individual farmers in their partner organisation in South. The project is based on voluntary work and has a 210 budget of DKK 70,000 fully financed by own means.

20. **FDB**: FDB has for the last 2 years been engaged in microfinance as part of a CSR initiative focused on developing the African supply chain. In the project FDB offers loans for farmers in their supply chain through collaboration with local MFIs. Another component in the project is linking consumers in Denmark with producers in Africa using MYC4 as a platform. The project has 2½ employees and a 2010 budget of DKK 2 million.

21. **Folkekirkes Nødhjælp (DanChurchAid)**: DanChurchAid has been engaged in the field for more than 30 years and has 3 employees working with microfinance. Typically, DanChurchAid works on a long-term basis, but it varies whether microfinance is a minor or a main component in the activities. Currently the organisation undertakes 35 projects involving savings and credit groups and SACCOs. These projects target 70,000 beneficiaries and have a total 2010 budget of DKK 26.5 million financed by Danida, EU, Rockwool Foundation and several others.

22. **GARGAAR**: GARGAAR has 5 years of experience in microfinance and is currently reaching 160 beneficiaries. The organisation does not receive external funding. The organisation works typically with microfinance on a long term basis.

23. **Genvej til udvikling (GTU)**: Genvej Til Udvikling has 7 years of experience working with microfinance. The organisation typically works with microfinance as a minor component in long term projects. They are currently in the final phases of a project targeting 1000 beneficiaries in a Danida funded project working with cooperatives. The 2010 budget for the project is DKK 1,4 mill.

24. **Ghana venskabsgrupper**: Ghana venskabsgrupper has 7 years of experience with microfinance in relation to self help groups and MFIs, but separated the microfinance component from the organisation in 2009 when they in agreement with Danida transferred the microfinance activities to a local MFI.
25. **Industrialiseringsfonden for Udviklingslandene - IFU:** The Industrialization Fund for Developing Countries (IFU) has together with PKA and PBU established a fund (Danish Microfinance Partners) of DKK 400 million. LD-Invest has been appointed as Manager of the Fund. The purpose of DMP is to invest in Microfinance Institutions in Asia, Africa and Latin America. The investments will be done as equity investment in Microfinance Institutions to strengthen their capacity to give more loans to entrepreneurs in developing countries and enable these to grow or to start new businesses. It is the expectation that the Danish investors will receive a competitive return from these investments.

26. **International Kontakt:** International Kontakt is running 2 projects on a voluntary basis targeting 100 beneficiaries via savings and credit groups. The organisation has 2 years of experience working with microfinance and fund the major part of the budget through own sources.

27. **Mellemamerika Komiteen:** Mellemamerika Komiteen has 4 years of experience working with SACCOS, but has terminated their microfinance activities.

28. **Mellemløkeligt Samvirke - Action Aid Denmark:** Action Aid Denmark is working with microfinance in 10 different projects. Typically Action Aid Denmark has long term project focus and collaborates with farmers’ cooperatives, MFIs and commercial banks.

29. **Merkur Cooperative Bank:** Since 2009 Merkur Bank has distributed shares in the investment fund "Triodos Microfinance Fund", making it possible for the Danish bank customers to invest their savings in microfinance. Triodos Microfinance Fund invests in and lends to MFI’s.

30. **Mission Øst (Mission East):** Mission East is working with microfinance in short term projects where microfinance is a minor component with a target group in rural and conflict areas. Mission East works both with savings and credit groups as well as SACCOS.

31. **MYC4:** MYC4 an online market place that links private investors to microentrepreneurs and small and medium enterprises in Africa by collaborating with local providers of microcredit. MYC4 has existed for 3 years and currently manages a loan portfolio of DKK 9 million extended to 6000 beneficiaries in Africa. MYC4 has 8 employees who administer and monitor the partnerships and the loan portfolio.

32. **VedvarendeEnergi (tidligere OVE):** VedvarendeEnergi has been engaged in microfinance since 2005. The microfinance activities target poor communities in slum and rural areas. The microfinance projects are related to environmental and sustainable energy initiatives and has a total project budget of DKK 2,640,000. VedvarendeEnergi works with savings and credit groups and MFIs.

33. **3F - Solidaritet og Udviklingsbistand:** 3F has after 3 years of involvement in microfinance to various savings and loans as well as self help groups terminated their microfinance engagement due to change in priorities.
Appendix 3: Organisations interviewed

<table>
<thead>
<tr>
<th>Category</th>
<th>Name of organisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small NGO working with saving and credit</td>
<td>Dansk MissionRåds Udviklingsafdeling</td>
</tr>
<tr>
<td>Large NGO working with saving and credit</td>
<td>Adra Denmark</td>
</tr>
<tr>
<td>Large NGO working with saving and credit</td>
<td>CARE Denmark</td>
</tr>
<tr>
<td>Large NGO working with MFI</td>
<td>Dansk Flygtningehjælp</td>
</tr>
<tr>
<td>Large NGO working with MFI</td>
<td>Børnefonden</td>
</tr>
<tr>
<td>Private company engaged in microfinance as CSR</td>
<td>FDB</td>
</tr>
<tr>
<td>Private company investing in microfinance</td>
<td>Andelskassen Oikos</td>
</tr>
<tr>
<td>Private company investing in microfinance</td>
<td>PKA</td>
</tr>
<tr>
<td>Private company investing in microfinance</td>
<td>MyC4</td>
</tr>
</tbody>
</table>
Appendix 4: Questionnaire

The following is a summary version of the questionnaire used for this survey. All original questions in Danish are included but the various options to fill in or select have been removed.

**SPØRGESKEMA**


Organisationens navn vil ikke blive nævnt explicit i reporten uden forudgående godkendelse af organisationen. Oplysningerne holdes fortrolige med mindre andet specifikt er aftalt.

Du kan påberegne en svartid på 30-40 minutter. Tak fordi du vil tage dig tid til at bidrage med organisationens erfaringer.

1. Du bedes nedenfor angive organisationens kontaktoplysninger

2. Er organisationen en: NGO, virksomhed, offentlig institution, andet.

3. Hvordan kan Jeres interesse i mikrofinans kategoriseres? Som led i: Corporate Social Responsibility (CSR), Investeringer, Udviklingsarbejde, Andet

4. Har jer organisation inden for de seneste fem år støttet / arbejdet med mikrofinans initiativer (Definition: Mikrofinans er udbud af finansielle services, herunder lån, opsparing, forsikringsordninger, pengeoverførser til små virksomheder og fattige)

**ORGANISATIONENS ERFARING MED MIKROFINANS**

1. Hvad er organisationens samlede budget til udviklingsaktiviteter?


4. Hvor mange projektdeltagere (klienter) har Jeres mikrofinansprojekterne totalt (et skøn er ok!)? Du kan efterlade feltet blankt, hvis du ikke kan svare.

5. Hvor mange projekter er I p.t. involveret i, hvor mikrofinans er et element?

6. Angiv fordeling af projekter hvor mikrofinans typisk er et hovedelement eller et mindre element. Angiv fordelingen i %.

7. Hvor har i mikrofinans-aktiviteter?

8. Hvad er primært Jeres organisations formål med at støtte mikrofinansinitiativer?

9. Angiv specifik målgruppe, hvis der er en sådan

10. Nævn gerne, hvis organisationen har andre eller øvrige målsætninger for mikrofinansprojektet.
11. Administreres (f.eks. kontraktstyring og monittering) mikrofinans-projekterne primært:


13. Hvor mange i den danske organisation arbejder med / er involveret i mikrofinansinitiativer:

14. Hvad beskæftiger medarbejderne i Danmark sig typisk med?

15. Har jeres organisation oplevet forandringer indenfor mikrofinans-området?


17. Benytter I CGAPs retningslinier?

18. Følger I specifikke retningslinjer / monitoring og evalueringsformater?

19. Har I udarbejdet specifikke evalueringsrapporter over (nogle af) jeres mikrofinansindsatser?

20. Har partnerorganisationerne typisk hovedparten af deres virksomhed knyttet til mikrofinans?

21. Vil du betegne partnerorganisationen som specialiseret mikrofinans-udbyder?

22. Hvor kommer initiativet fra?

23. Hvor længe har I, organisationen i Danmark, arbejdet med mikrofinans?

24. Hvad er/var typisk tidsrammen for Jeres projekter?

25. Hvilken organisationsform beskriver bedst hvem som tilbyder mikrofinans til målgruppen?

26. Hvilke mikrofinansielle produkter bliver tilbudt målgruppen - inkl. eventuelle tjenester fra en anden donor/samarbejdsorganisation?

27. Hvis lån og kreditter tilbydes målgruppen, hvilken metode beskriver bedst den som benyttes?

28. Bruges lånen for det meste til at finansiere: Individueelle forretningsaktiviteter, Kollektive forretningsaktiviteter, Private forbrugsaktiviteter, Blandet, Andet

29. Hvad er lånets størrelse ca.? Angiv et gennemsnit

30. Hvilke(n) målgruppe(r) har organisationen i projektet?

31. Angiv kvinders andel af total antal modtagere/beneficiaries (ca.)

32. Angiv unges andel af total antal modtagere/beneficiaries (ca.)

33. Angiv venligst finansiering af projektet

34. Hvis andre donorer end Danida, nævn venligst

35. Angiv venligst evt. øremærkning af midler fra Jeres donor til projektet. Af finansieringen er hhv.: (Ingen øremærkning skriv 0 i begge felter)

36. Angiv venligt fordelingen mellem kapacitetsopbyggende og finansielle aktiviteter i projektet totalt - dvs. inkl. evt. egenfinansiering og evt. finansiering fra donor

37. Hvilke af følgende kapacitetsopbyggende aktiviteter indgår i projektet/programmet?

38. Hvilke af følgende finansielle aktiviteter indgår i projektet/programmet?

39. Hvordan er fordelingen af midlerne I giver til lånekapital?

40. Hvis organisationen arbejder med spare-låne grupper, beskriv venligst hvilke standarder og modeller der benyttes i dette arbejde?

41. Hvis I ikke arbejder med Spare-låne grupper, har I overvejet at introducere spare/lånegrupper i jeres projekter?
42. Beskriv hvad I betragter som den største udfordring/barriere i arbejdet med spare-låne grupper

43. Beskriv hvad er jeres fremtidige planer for arbejdet med spare/lånegrupper? (overvejer i eksempelvis at lave sammenslutninger af spare/lånegrupper for at opbygge adgang til lånekapital?)

44. Bæredygtighed: Er mikrofinansaktiviteterne finansielt bæredygtige på nuværende tidspunkt?

45. Er mikrofinansaktiviteterne tiltænkt at blive finansielt bæredygtigt?

46. Er mikrofinans aktiviteten institutionelt bæredygtigt?

47. Er mikrofinansaktiviteten tiltænkt at blive institutionelt bæredygtigt?

48. Er der udarbejdet en exit strategi/afviklings plan for organisationens involvering?

49. Generelle erfaringer: Beskriv det mest positive I har oplevet ved at engagere Jer i mikrofinansinitiativer

50. Beskriv hvad I oplever som det mest komplicerede / udfordrende ved at arbejde med mikrofinansinitiativer

51. DFM er velkommen til at rekvirere en kopi af: Projektbeskrivelse, projektevaluering

52. Hvordan vurderer du DFM oplysningaktivitet?

53. DFM arrangementer, oplysning og events?

54. Hvordan kan Dansk Forum for Mikrofinans fremadrettet understøtte Jeres involvering i mikrofinans?

Tak for deltagelsen! Ønsker du mere information om mikrofinans kan du gå ind på Dansk Forum for Mikrofinans’ hjemmeside: www.mikrofinans.dk