

DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH

This is how we facilitate development –

**Development effects of DEG portfolio management:
financing business and programme finance**

E-Volkswirtschaft/Entwicklungspolitik
Cologne, February 2011

Our business is developing



Which development effect trends can be identified in our financing business?



- 47% of the projects make a direct contribution to the Millennium Development Goals.
- The "SME Growth Initiative" has an impact on the DEG portfolio: the proportion of the exposure related to SMEs has risen to over EUR 1.3bn (historical high); 77% of indirect financing solutions are linked to the promotion of local SMEs.
- DEG partners are facing up to their social responsibility (CSR): The majority of projects contribute primarily to the development of the local environment.
- The quantitative developmental effects clearly show a positive trend.

Result of quantitative effects:	2006 n=440	2008 n=366	2010 n=428	
Public revenue in million EUR p.a.	1,400	562	2,263	↑
Net foreign exchange in million EUR p.a.	5,900	6,273	8,072	↑
Creation of new jobs	54,000	45,000	61,600	↑
Jobs secured	1,600,000	1,969,000	2,259,000	↑

Methodology

Corporate Policy Quality of Financing Business

**Developmental Quality of Financing Business
and Programme Financing**

Financing business

- All projects in the DEG portfolio between 31.12.2009 and 31.12.2010 have been taken into account (523 projects). For 59 projects the compilation of a GPR was not necessary (e.g. loan not yet fully disbursed). There were 428 ex-post GPR. This is an **evaluation rate of 92 %** (2008: 76 %).
- From EUR 4bn of the exposure till the cut-off date 31.12.2010, EUR 3.4bn could be incorporated into the 2010 portfolio evaluation.
- This evaluation was spread over 101 projects in the financial sector, 53 infrastructure projects, 44 private equity funds and 165 projects in the manufacturing sector.
- 97 ratings were assigned to the African region, 131 to Asia, 104 to Europe and 96 to Latin America.

Programme financing

- 162 DeveloPPP-Projekte (develoPPP.de) with an overall volume of EUR 94.4m are currently being implemented by DEG using BMZ funds (see slide 20).

Methodology

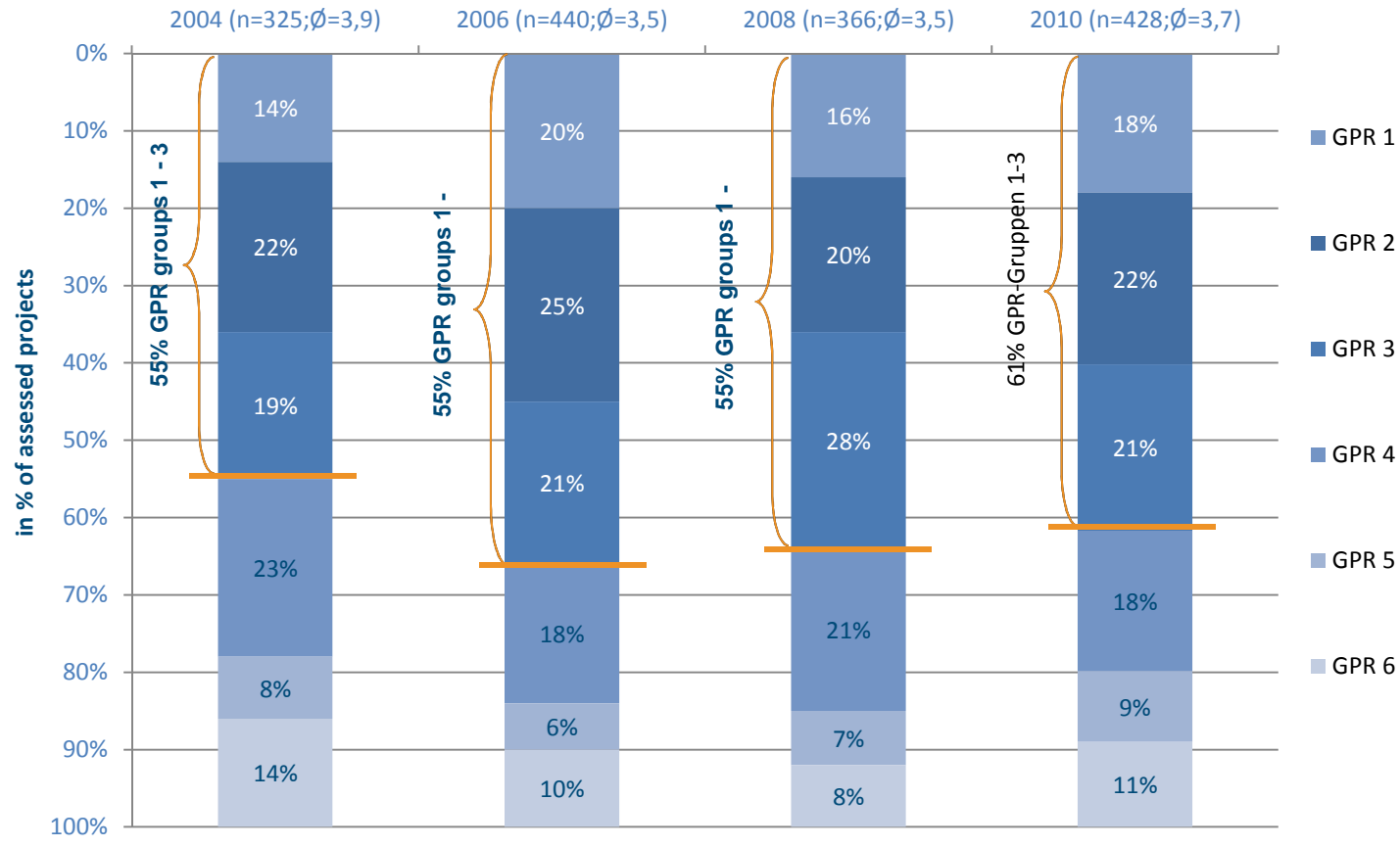
Corporate Policy Quality of Financing Business

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How have the GPR results developed over time?



Distribution of portfolio projects according to GPR groups*

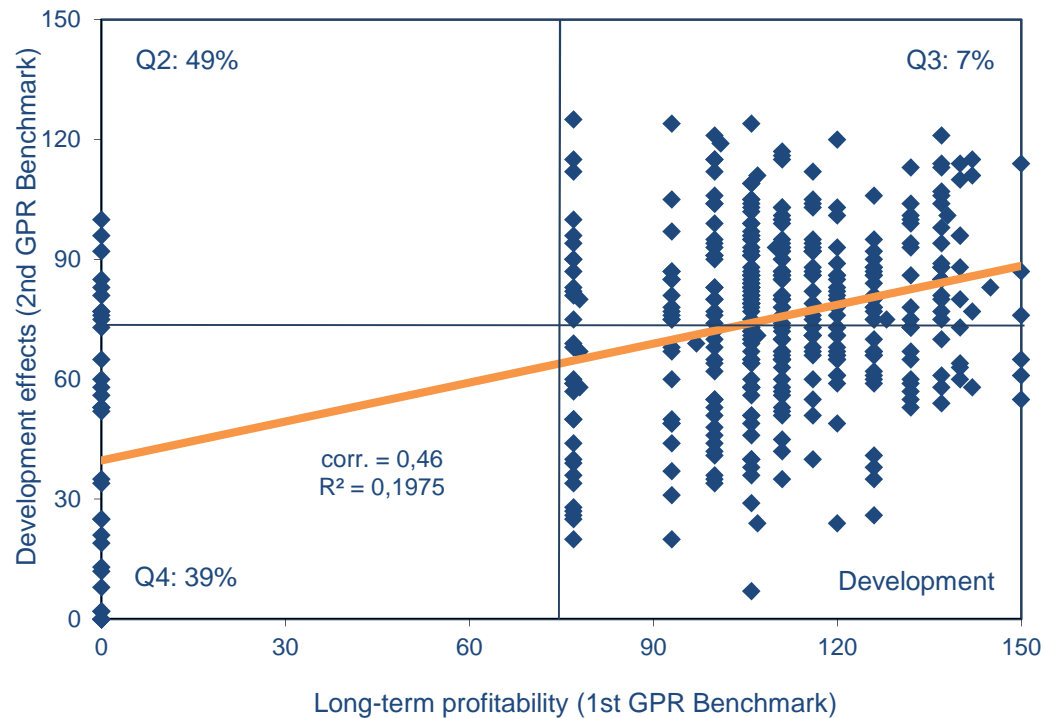


*n = number of projects

The 3.7 mark awarded to corporate quality is slightly worse than the GPR portfolio assessment in 2008 (2008: 3.5). 61% of all projects have been classified into the GPR groups 1 to 3 and can be considered as highly successful.

How do profit and promotional objectives interact?

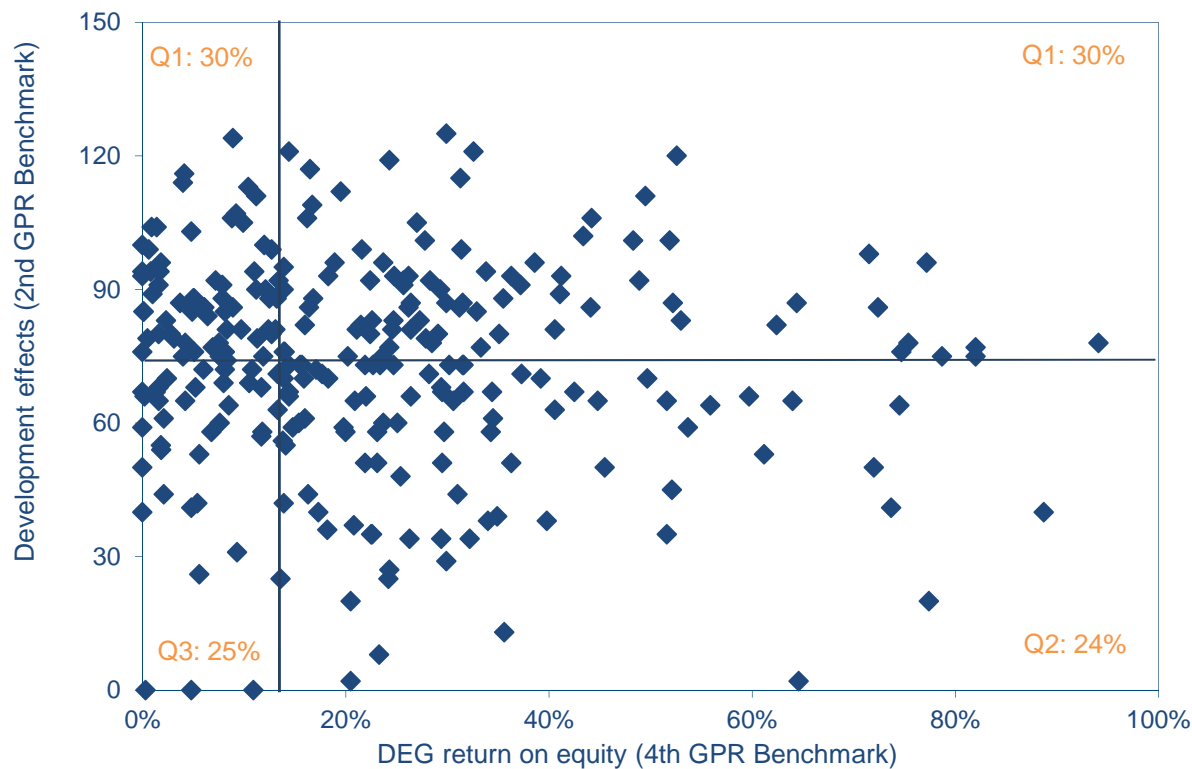
Correlation between long-term profitability and developmental effects



Projects with a higher long-term profitability tend to achieve higher developmental effects. Positive correlation between financial and developmental sustainability. Some projects achieve positive developmental effects despite weak creditworthiness.

How do profit and promotional objectives interact?

Correlation between DEG return on equity and developmental effects

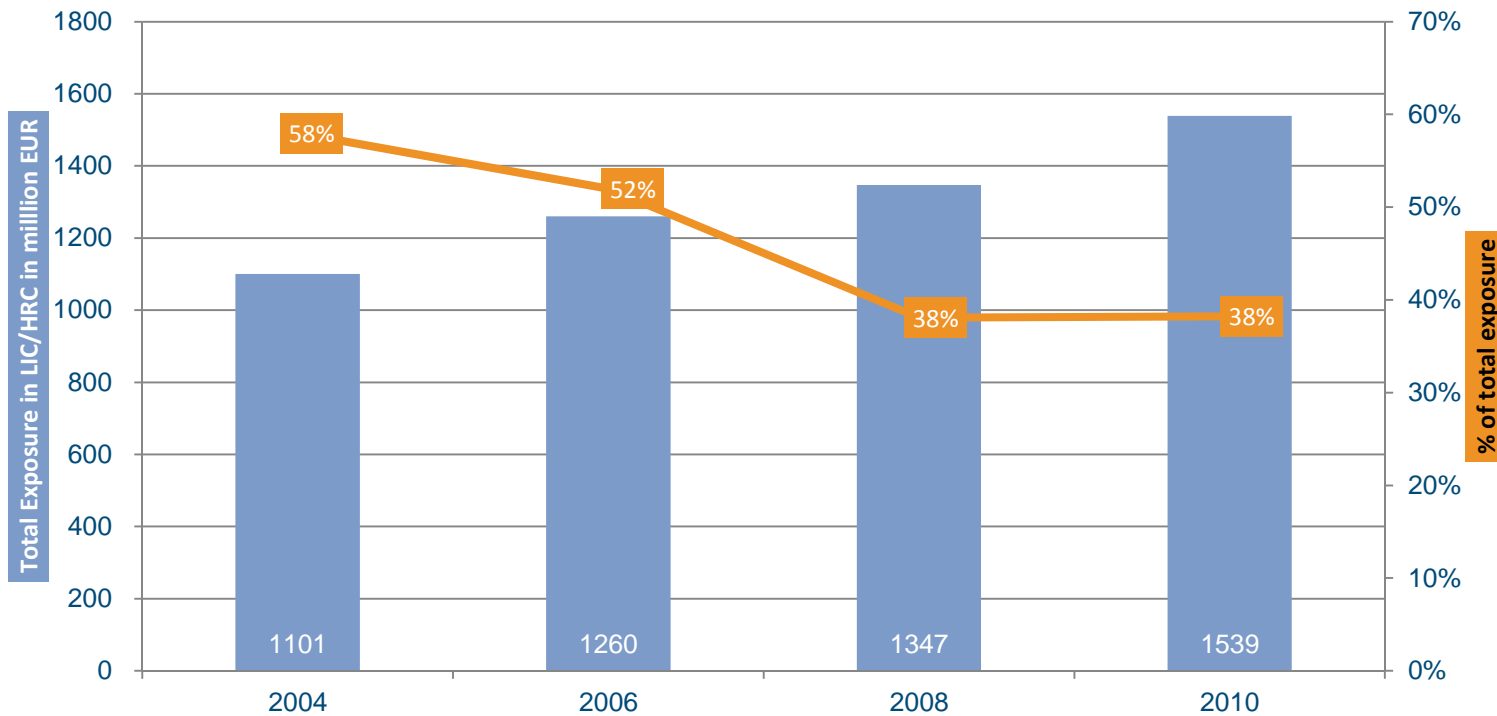


130 portfolio projects exhibit a relatively low DEG return on equity, but achieve considerable developmental effects. With these projects in particular, DEG's development mandate comes to the forefront. 91 projects lag behind in terms of developmental and profit goals.

Where does DEG invest?



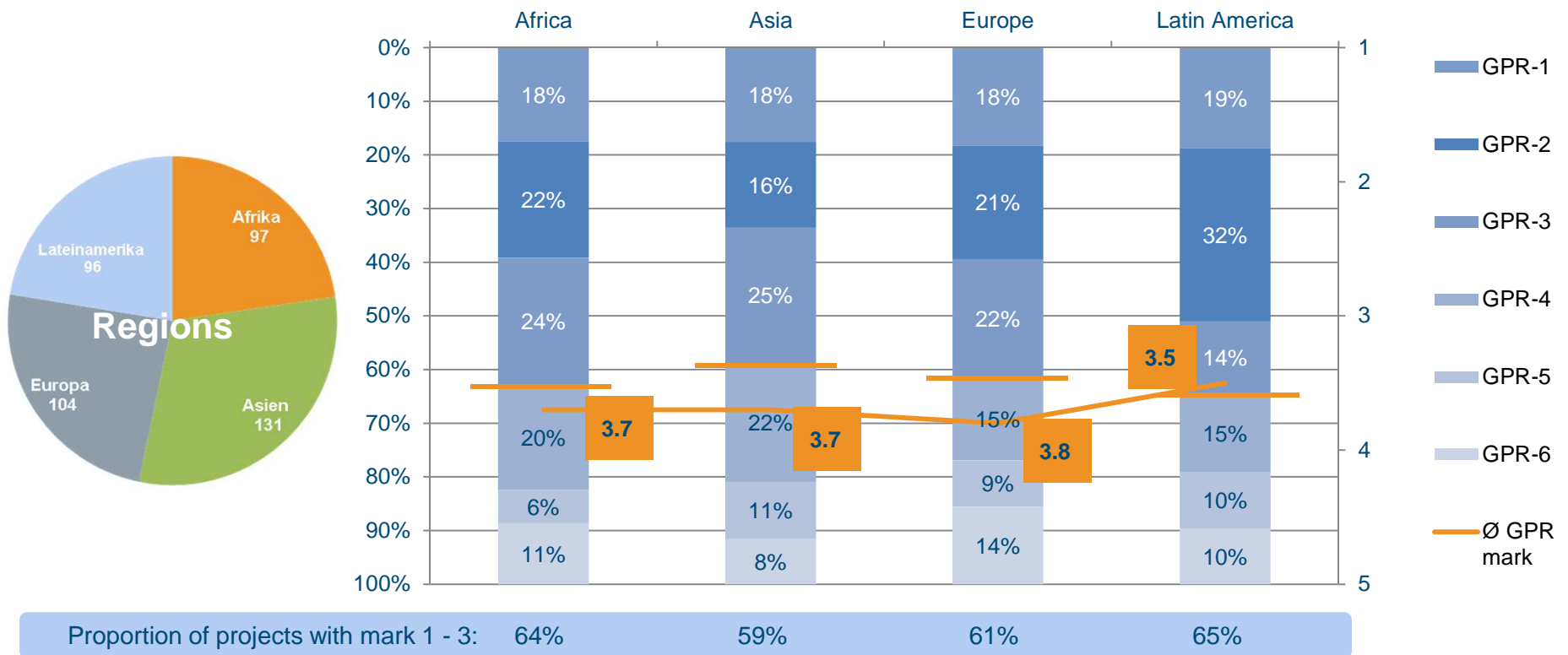
DEG portfolio in low-income and high-risk countries



The evaluated DEG portfolio shows a historically high level of aggregate financing volume in LIC and/or HRC in 2010. In terms of the exposure a stabilisation of the rate at 38% over 2008 can be seen.

To what extent can corporate policy quality be observed in the individual regions?

Portfolio projects and GPR marks according to regions

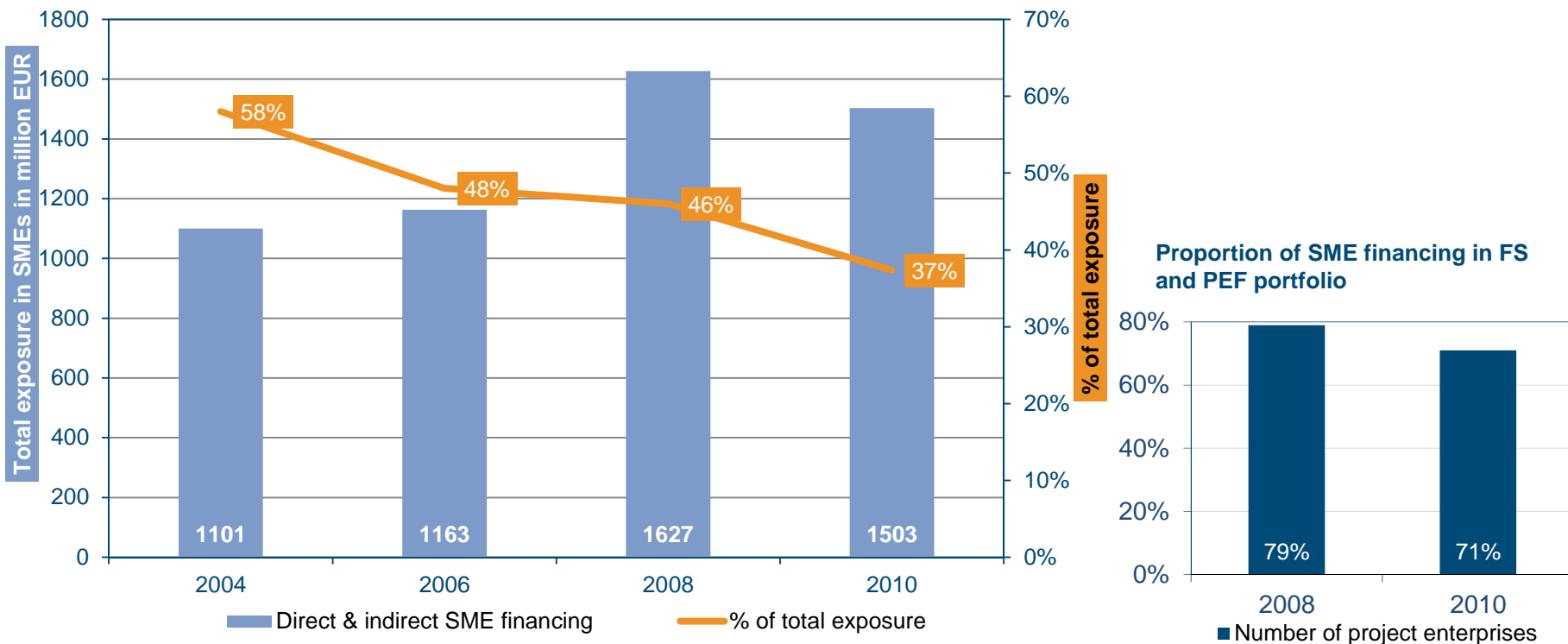


The GPR marks show no significant differences in a regional comparison. Latin America was most successful with a GPR mark of 3.5.

How successful is the SME Growth Initiative?



Proportion of direct and indirect SME financing of the exposure



The SME financed proportion of the evaluated portfolio projects reached a historically high level with approx. EUR 1.3bn of the exposure. This can be considered as a success of the "SME Growth Initiative". The proportion of SME in the exposure sank from 46% to 37%.

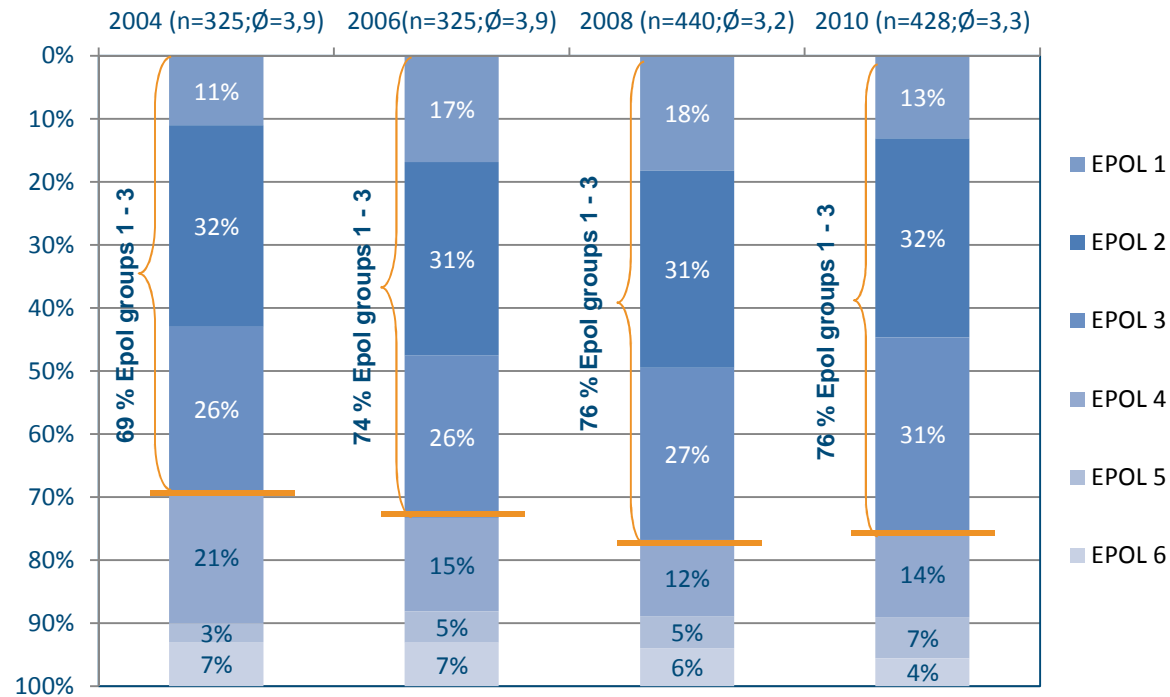
Methodology

Corporate Policy Quality of Financing Business

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How can the developmental effects be portrayed?

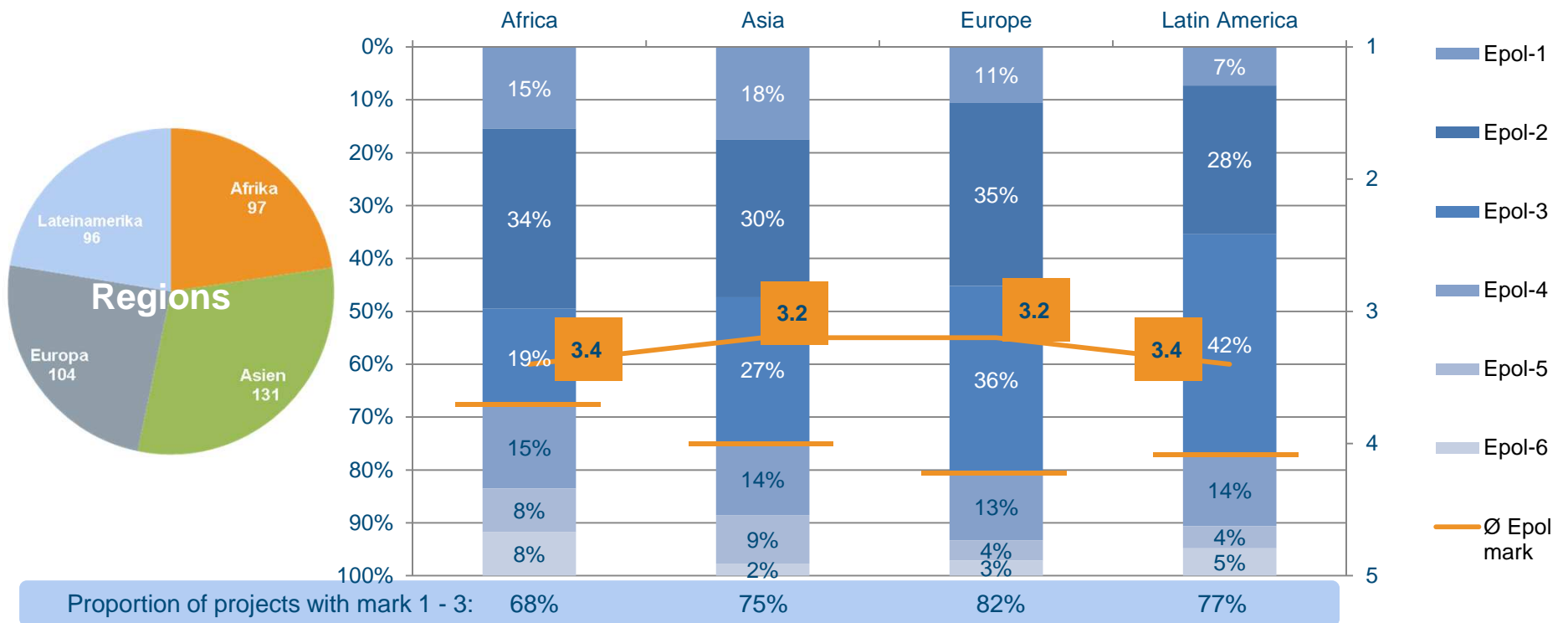
Distribution of DEG new project commitments by EPOL groups



At 76% the proportion of Epol groups 1 - 3 remain at the same high level as in 2008. However the proportion of Epol group 1 projects has decreased on a percentage basis.

To what extent can quality of the development projects be observed in the individual regions?

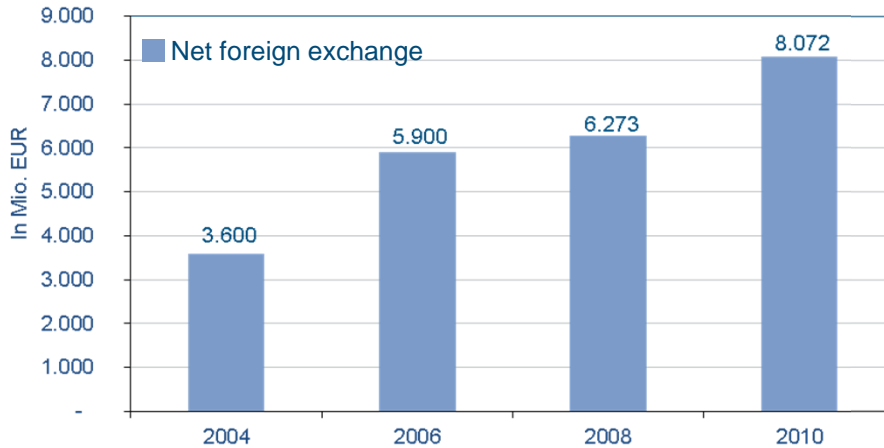
Portfolio projects and Epol marks according to regions



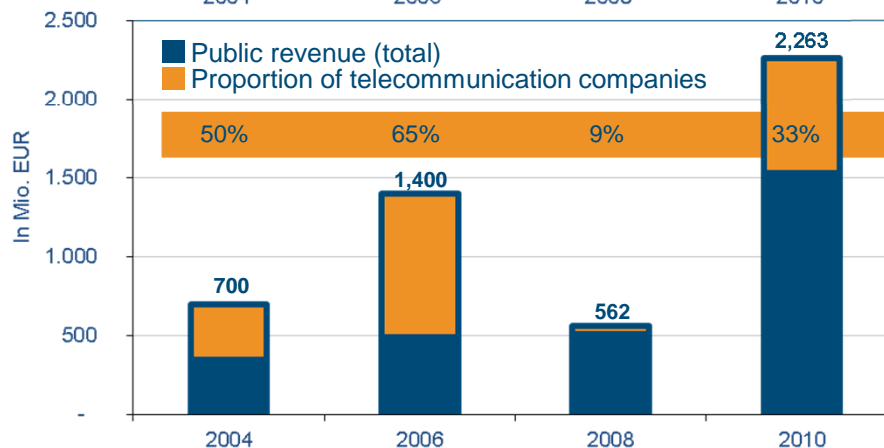
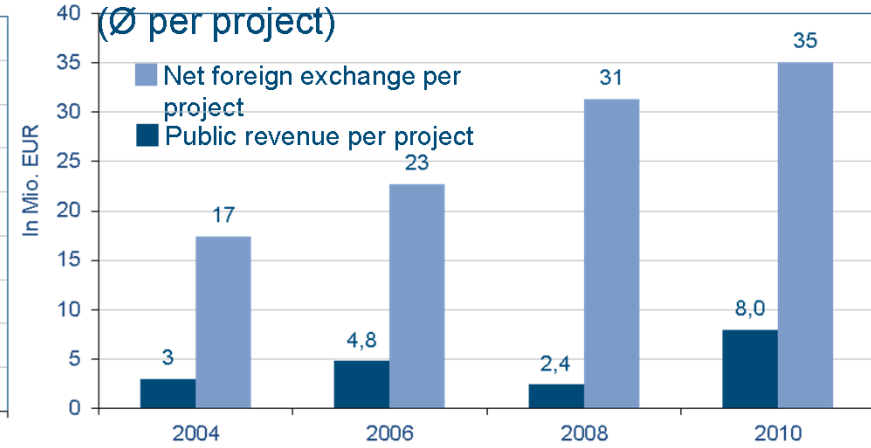
Asia and Europe achieve the best average Epol mark 3.2, in comparison to the other regions. Europe achieved the highest proportion of projects in Epol groups 1 - 3 (82%).

How can the quantitative effects be portrayed over time?

Public revenue and net foreign exchange effects



Public revenue and net foreign exchange effects (Ø per project)



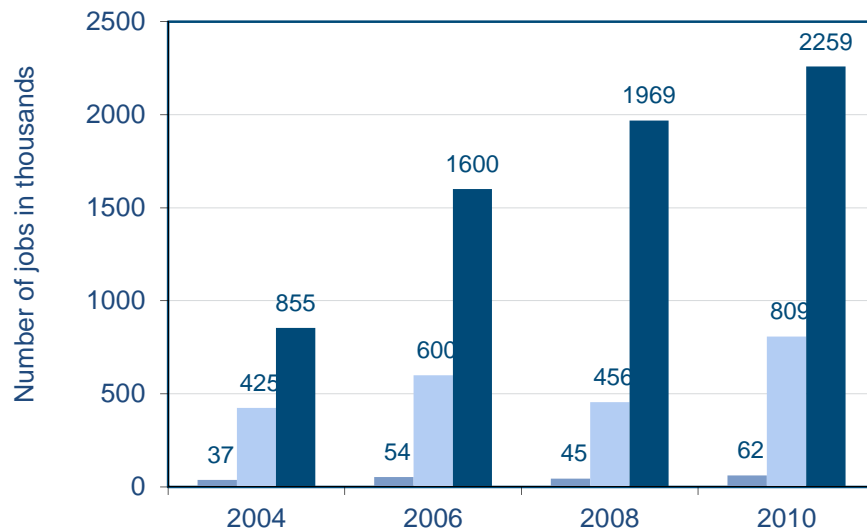
Proportion of public revenue from telecommunications:

- Historical high in public revenue
- High dependency on TC projects
- 21 of the 283 companies from the PU and IR (7.5%) contribute 33 % of public revenue

Significant rise in net foreign exchange and public revenue (in absolute terms and per project) due to high evaluation rate (92%) and worldwide economic recovery.

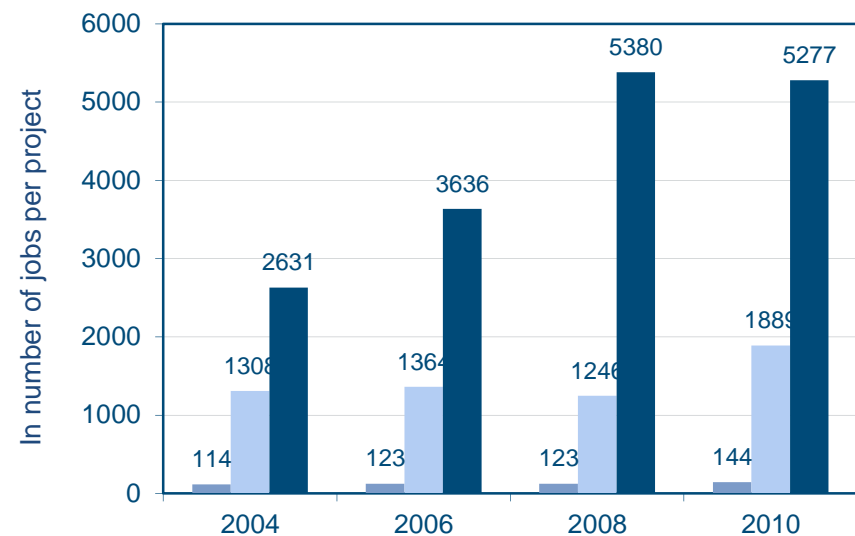
How can the quantitative effects be portrayed over time?

Effects on employment (in thousand jobs)



■ New jobs ■ Direct jobs ■ Direct and indirect jobs

Effects on employment (Ø per project)

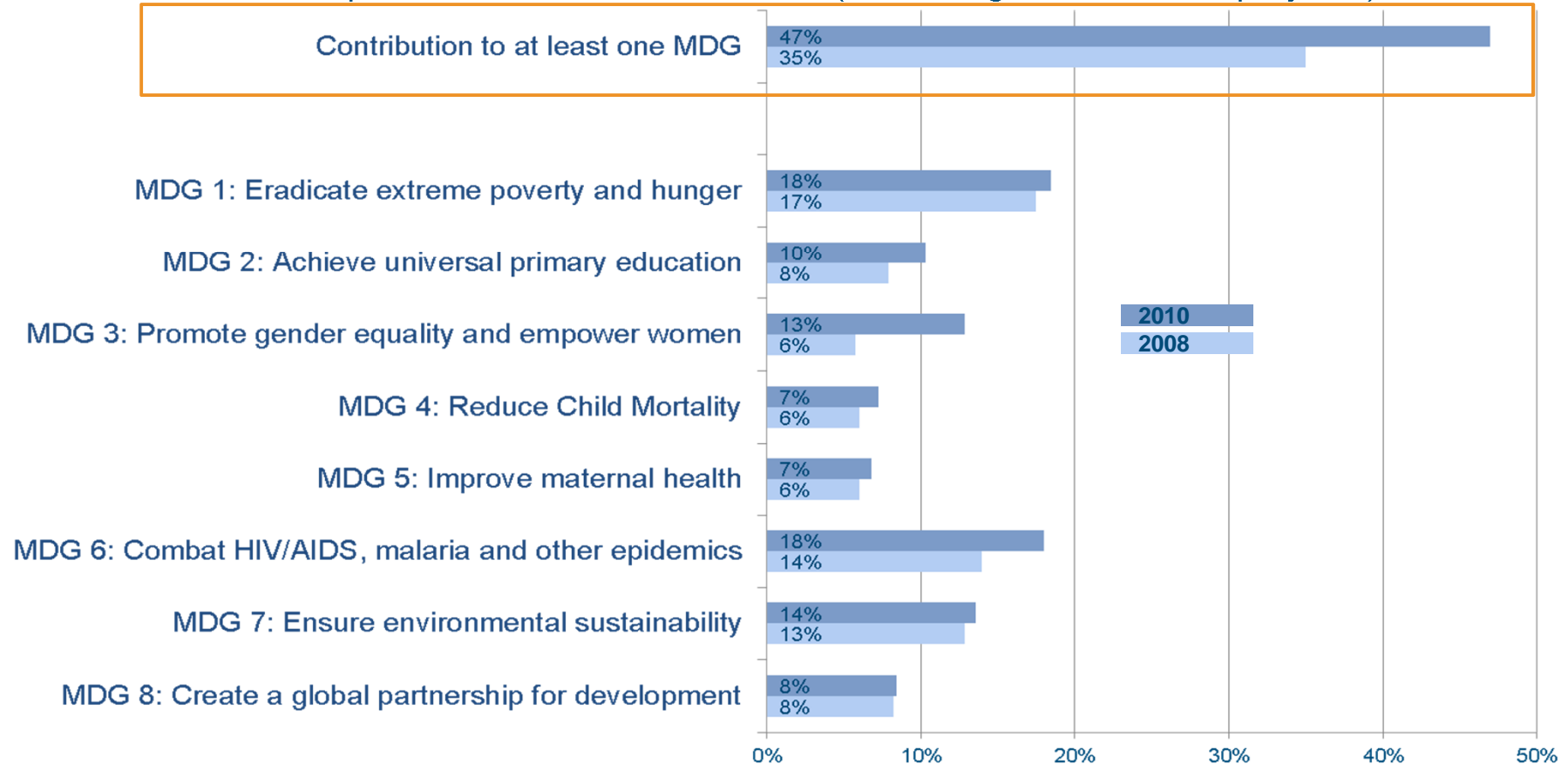


In comparison to the GPR portfolio evaluation in 2008 a significant increase in effects on employment (both in absolute terms and per project) can be seen. 62,000 new jobs could be created and in total over 2.2m jobs sustainably secured.

What contribution does DEG make to the Millennium Development Goals?



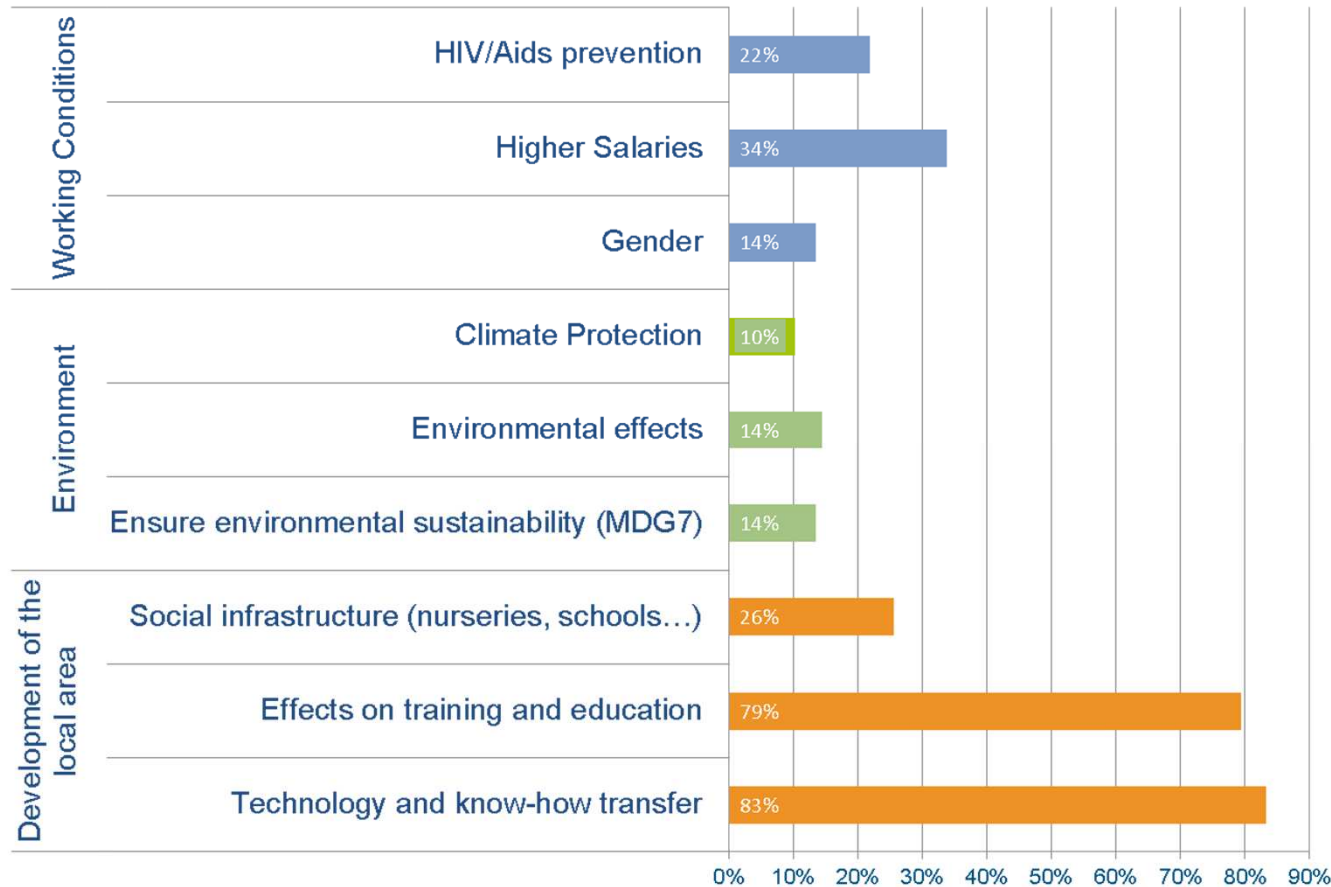
Contribution of the portfolio to at least one MDG (according to number of projects)



Approximately half (47%) of all portfolio projects contribute to at least one Millennium goal (MDG). e.g. Eradication of poverty (MDG #1) and fight against serious diseases (MDG #6) in 18% of the projects respectively.

Where can we detect socially responsible entrepreneurship?

Contribution to Corporate Social Responsibility CSR (according to number of projects)

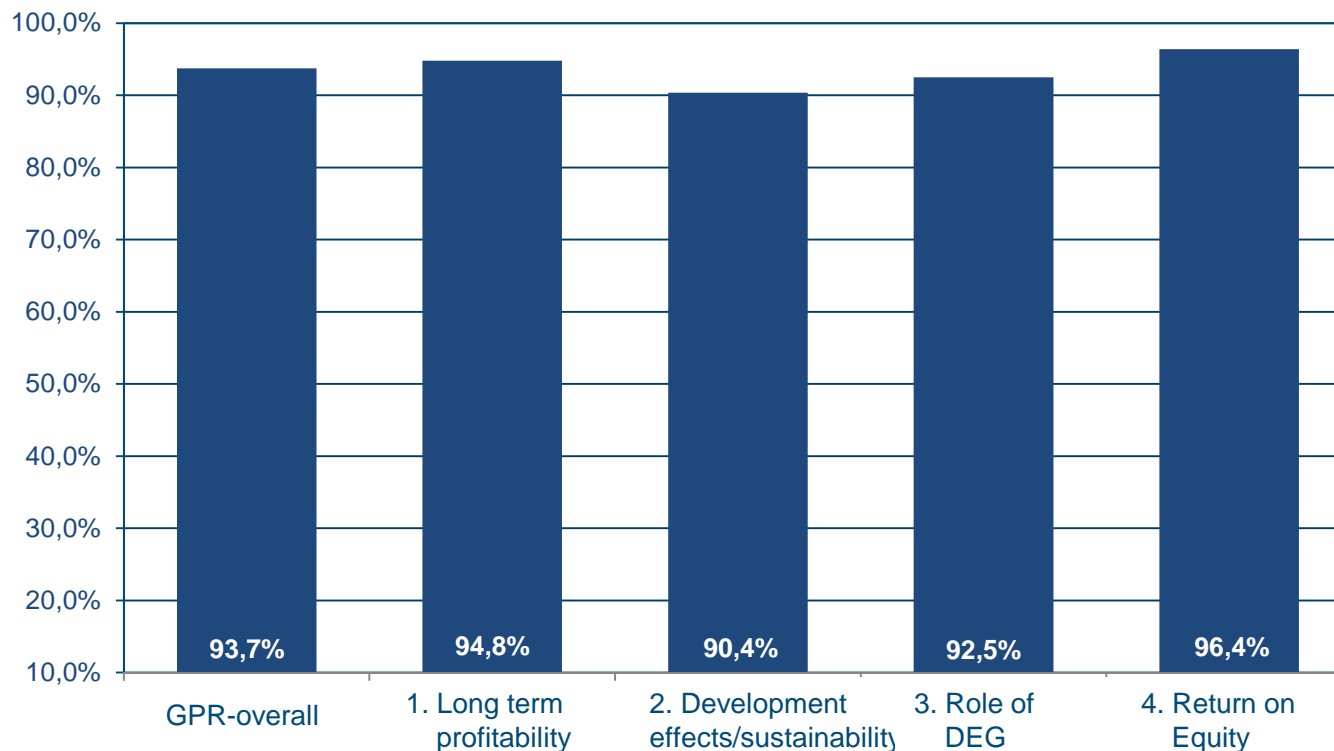


In the three sustainability pillars, environment - economy - social issues, three key topics of the CSR-Norm ISO 26000 are shown in the GPR. 80% of the projects give impetus to economic development through the fostering of human capital and knowledge transfer.

Have the projects completed in 2009 achieved the anticipated corporate and developmental effects?



GPR success rate of 34 projects completed in 2009 (ex-ante vs. ex-post)
[67 companies registered as completed, of which 34 were counted: VD/AG: 21; IR: 3; FS/PEF: 10]

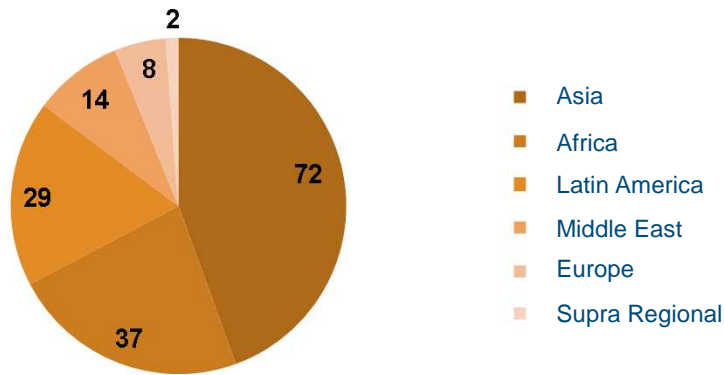


The 34 projects considered exhibit a 93.7% success rate. i.e. from the ex-ante anticipated effects (GPR total amount of points) a total of 93.7% could be achieved.

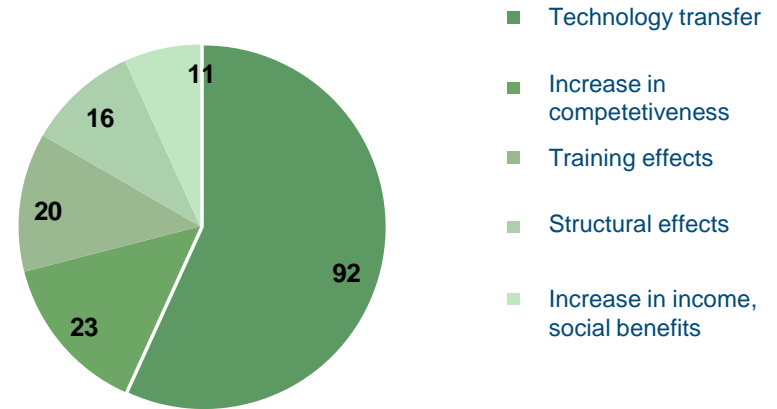
Focus in the PPP-Programm (develoPPP.de) Overview of Portfolio Projects



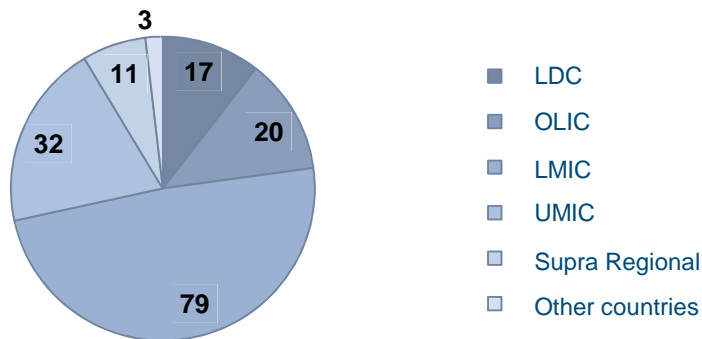
Regional Distribution



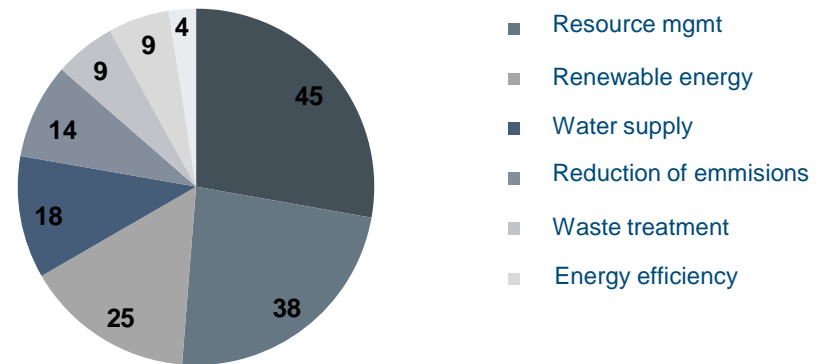
Development effects



DAC income groups



Environmental effects



Currently 162 PPP projects with a total volume of EUR 94.4m are being implemented. These are financed with public funds from the BMZ totalling EUR 36.5m.