

PROJECT STATUS REPORT (PSR)

07/01/2022 - 12/31/2022 - PSR-09426



PROJECT SUMMARY

Operation number

RG-T3780

Suboperation number

ATN/CN-18554-RG

Project Name

EcoMicro- COVID-19 Recovery & Resiliency through Digitization of Caribbean FIs and their MSME clients

Team Leader

Ruth Houliston

Executing Agency

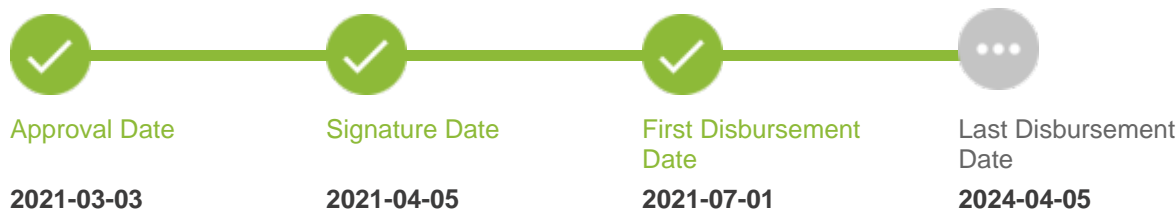
Dai Global

Purpose

To increase adoption of digital innovations that promote business and resilience and enhanced productivity among FIs and their MSME clients.



Project cycle



PSR SCORE



- 0 - 1 Red Flag
- 1 - 2 Yellow Flag
- 2 - 4 Green Flag

LEARNINGS

1. Risk and Lessons

1.1. Risk

1.1.1. What do you think is the biggest risk that threatens the achievement of the project objectives?

For components 1 and 3, the participation and investment of Financial Institutions depend on their capacity and availability. The Executing Agency will follow the capacity-building process to guarantee the FIs have all the required information to implement the proposed activities aligning with their internal strategies, but there is a risk this does not happen during the implementation period of the project. Quality of applicants in round 2 of the Digital Impact Advisory Fund (DIAF). In order to reduce the burden of in-kind contributions to grantees, the Executing Agency needs to identify and award to later-stage businesses that can develop high-quality technical and cost proposals with efficient support from the DAI team. This represents a challenge as the market is still very nascent.

1.2. Greatest Achievement or Failure

1.2.1. What has been the greatest achievement or failure in the last semester that affected the implementation of the project?

Biggest achievement: Component 2, signed grant agreements with round 1 grantees and started implementation. Grantees have started the learning with different suppliers that will improve their business models, delivery and customers journey. Challenge: Component 1, Three financial Institutions formally decided to stop their participation in the project due to a busy season and overload of their agendas.

1.3. Findings and Lessons

1.3.1. What are the most useful findings and lessons from this project that when taken into consideration could improve the execution and results of existing projects and the design of similar projects in the future? A finding describes an action, circumstance or decision that was critical in determining the positive or negative evolution of the project (for example, switching from the development of a blockchain platform to a web-based shared database reduced the cost and time devoted to implementing the traceability capabilities required by the project). A lesson is a concrete, actionable proposal based on a finding that, in similar circumstances, would facilitate problem solving, risk mitigation, and the achievement of results (for example, Develop guidelines and criteria to identify candidates that could benefit from the implementation of a blockchain platform, and assess during the design if the selected project satisfies the criteria before committing to develop one).

Finding: Financial Institutions level of engagement in digital transformation varies inside each organisation. There is a need for stronger awareness and capacity building for the staff on different hierarchies. ESOs in the region also require capacity building on international business methodologies and digital transformation topics. The region has a very small proportion of SMEs in commercialization stage rather than ideation in the technology ecosystem. Learning Continuously conduct extensive systematic research on the business eco-system in order to adjust expectations of the kind of participants who will apply for the program. Maintain continuous communication with the Financial Institutions teams is crucial as their strategic priorities change and their participation in the projects is affected. Have a better understanding of the working patterns of sub-contractors and grantees to facilitate a productive relationship between the two. It is important to set realistic expectations with grantees in case of any challenges in grant making. Targets with grantees need to be evaluated after every stage of the project to maintain alignment.

2. Scalability and replicability

2.1. Scalability Plan

2.1.1. Now that the Project is in the execution phase, have you developed any concrete plan or action that will allow it to reach a greater number of users/clients/beneficiaries (or broader environmental or resilience to climate change and natural disasters impacts) in the future?

- We are reaching out to a broad range of actors in the business ecosystem and leveraging their contacts to increase awareness of the program, these actors include FIs and ESOs not initially reached but now identified based on the learnings of the ecosystem. - Creating internal systems that will enable us to manage the current administrative processes more seamlessly. For example, onboarding more personnel to deliver on these tasks. - Focus knowledge sessions in awareness and deeper content to enable stakeholders for future activities. - Expanded training sessions scope to support all Financial Institutions and their staff instead of only advising a limited number of participants

2.2. Costs and Partners to Scale

2.2.1. Now that the project is in the execution phase, do you know how much it costs to offer your product / service per user / client / beneficiary? Is this a factor that could affect reaching a greater number of users / clients / beneficiaries in the future? Has any public or private institution requested this information from you, looking for scaling or replicating the model / product / service?

In interviews with the Financial Institutions, several mentioned that after the workshops they better understood how digitalization could help them meet the needs of their current and future customers, especially youth who demand more digital options. Even those who were not selected to receive funding to implement new digital solutions felt more confident in addressing accessibility issues for customers in the long term. There has been conversations with potential suppliers of digital solutions who provide estimated budgets based on the needs of the FIs, showing the required investment is high but it can be aligned to the co-investment capacity of the institutions. Unfortunately, some Financial Institutions might not be able to co-invest in this efforts. The EA intends to find external support or propose mechanisms to increase the access to the digital solutions. In the Digital Impact Advisory Fund, each tech innovator's support is linked to their capacity of reaching other MSMEs that can implement the technological solution. As the DIAF following stages continue, the mechanisms to target additional beneficiaries will be detailed. A detailed Scale-Up strategy will be developed in Year 3 of the project.

2.3. Facilitating or Hindering Factors

2.3.1. Has any of these factors affected the number of users/clients/beneficiaries (more/fewer) reached by the project compared to what was originally planned (or environmental or resilience to climate change and natural disasters impacts)?

[Complexity of the solution (high number of actors involved/interaction of many parts/components), Behavioral changes required by users/clients/beneficiaries, Market size that could be reached, Visibility for users/clients/beneficiaries of the advantages of the proposed solution, Cost of the solution]

Others, Which?

NA

2.4. Scalability Scope

2.4.1. How feasible it is that the organization could reach a number of users/clients/beneficiaries 5, 10 or 100 times the number originally planned in the project design, five years after the project ends?

[It could reach between 5 times and 10 times the number of users/clients/beneficiaries originally planned in the project design five years after its closure]

2.4.2. How likely is the organization to reach that number five years after the project ends?

[Probable (more than 50% but less than 90% chance)]

2.5. IDB Group business relation

2.5.1. Has a business relation been created with another part of the IDB Group different from IDB Lab?

NA

2.6. Replicability Partners

2.6.1. Are you aware of any other entity at a national or international level that has copied / replicated completely or partially the business model of the project? Did you collaborate in the process with that entity?

[No]

If Yes, Explain

We are not aware of any other entity at a national or international level that has copied / replicated completely or partially the business model of the project

2.7. Replicability Scope

2.7.1. Number of users / clients / beneficiaries reached by entities that have fully or partially replicated / copied the business model / products / services implemented with the support of the project?

[N/A]

2.7.2. Have you experienced, in the last year, significant expansion (50% or more) of the reach of the business model of the project beyond what was expected in the original project design (due to increasing of the organizational size, operational scope or geographic spread)?

[No]

If Yes. Explain

no

2.7.3. Number of users / clients / beneficiaries reached as of the end of the year?

[Less than 2 times the number of users / clients / beneficiaries planned in the original project design]

2.8. Sustainability

2.8.1. How do you think the project will continue once the IDB Lab financing ends? Examples: it has identified external financing sources to continue operating, it has reached the breakeven point through the sale of services and products, it has obtained the support of public institutions or the private sector, it will adjust the business model to remain viable (via franchises, etc.)

As part of the project activities, the Executing Agency is reaching out to potential entrepreneurship organizations and investors that can continue support to tech innovators and help them scale their solutions. For Financial Institutions, there are co-investment conversations so the FIs and technology suppliers can continue working together after the project finalisation. The project funds will trigger a longer term investment from the participants. In general, FIs and SMEs will be in a better technical position to continue their growth journey in the coming years. ESOs will be invited to continue the technical support of the tech innovators and to invite them to their own complementary acceleration programmes. FIs will maintain the relationship with digital solution providers and ESOs to broaden up their customers base and consider products for tech innovators. One of the main objectives of the project is to create awareness of the relevance of the communication between all stakeholders and for them to identify organic business opportunities.

3. Implementation

3.1. Facilitating or Hindering Factors

3.1.1. What specific aspects have (positively or negatively) affected the implementation of the project the most?

[Complexity or breadth of the proposed activities, Quality of consultants / suppliers, Advantages or disadvantages of technology, Available resources, External shocks that affect the economy in general (natural disasters), Other]

Others, Which?

Availability of the main stakeholders of the project and delays in the delivery of funds

3.1.2. Explain in detail how these factors that you identified have made the implementation of the project easier or more difficult

The implementation of technology solutions by the Financial Institutions has been delayed due to the lack of internal resources to continue the engagement and implementation. Additionally, for the same reasons three FIs decided to drop out of the project. Nevertheless, DAI has good pool of consultants and staff to provide knowledge on the different technical solutions and methodologies that can guide the participants for a future implementation. The capacity of the team will create content that will be available for the participants at any moment and will facilitate digital solutions implementations when they require it. Additionally, DAI coordinates the participation of the different suppliers and beneficiaries of the DIAF, providing technical guidance to aggregate the individual learnings of participants and suppliers in order to achieve the expected growth of the businesses. This helps setting learning for future implementations of similar projects.

3.2. Novel Technologies Factors

3.2.1. If the project makes use of novel technologies or methodologies, what factors have facilitated or hindered the implementation of the technological solution initially proposed by the project?

[Previous experience of the executing agency / client with the technology, Access to subject matter experts by executing agency/client, Availability of suppliers / consultants, Clarity of technical requirements]

Others, Which?

NA

4. Development Outcomes (Quantitative)

4.0 Has your project contributed to any of the following indicators in the last 12 months (last year)?

[4.6. Not contribute]

5. Development Outcomes (Qualitative)

5.1. Target population identified in the design

Is the target population that was identified in the design being reached by the project? Select the target population actually reached by the project that was originally identified in the project design.

[Entrepreneurs, Senior adults, Child and young, Women]

5.2. Population served NOT identified in the project design

5.2.1. Select if there are Groups that were NOT originally identified in the project design but are being reached in the execution phase?

[None]

5.3. Facilitating or Hindering Factors

5.3.1. Factors that have affected (facilitated or hindered) reaching these groups, or the resilience/environmental impacts, in the numbers/dimensions that the project had originally planned.

[Changes in the implementation of the original design, Demand for the product/service (market needs), Interest of clients/users/beneficiaries, Difficulties or advantages related to the adoption of technology, Adaptation of the product/service to the needs of the clients/users/beneficiaries, Scope of the access channels to the product/service, Improvements in the characteristics of the product/service offered, Cost of offering product/service, Communicating to customers/users/beneficiaries the advantages of the products offered, Business model]

Others

NA

5.3.2. Explain in detail how these factors that you have identified have affected the ability of the project to reach the groups (achieve resilience/environmental impacts) in the numbers/dimensions originally expected

The market is more nascent than originally thought to be and most of the MSMEs are in ideation stages looking for early technical support. A lot more participants were not at the stage of their business to adapt the products and the services to the needs of their clients and users, so we organised services such as a behavioural science consultancy to help the businesses get to the stage where there are ready to adapt products to the needs of users. These type of solutions require a larger technical investment and monitoring to guarantee positive impact in other MSMEs. This monitoring prioritizes the quality of the businesses rather than a larger number of beneficiaries with less impact in other MSMEs. Some leadership at FIs had a reluctance to introduce new technology and a clear gap in their staff capabilities about technological solutions. Three FIs decided to formally exit the project due to their busy season and staff shortages. Unfortunately, this delays the implementation process and increases the challenges to maintain participants engaged. DAI team restructured the strategy towards additional awareness and capacity building to create accesible content for current and future staff. Also, FIs are being introduced to potential digital solutions suppliers for them to implement technology when they require it. This strategy builds bridges to facilitate the access to reliable information and accessible services even after the end of the programme. FIs are receiving clear information about the costs of digital products and services which require co-investment during the time of the project and in the future. Some FIs are more reluctant on the implementation due to budgetary restrictions. The funds of the programme will boost the first stages of the implementation.




INDICATORS

 Overachieved
  Achieved
  Pending
  In process
  Overdue

C1: Facilitation of FinTech and Digital Solutions for Financial Intermediaries

Weight: 33.33%






Qualification: Satisfactory

33%		67%	
Indicators	Planned	Achieved	Status
I1	10 (2022-04-05)	10 (2022-06-16)	
I2	3 (2024-04-05)	1 (2022-02-28)	
I3	5 (2024-04-05)	0 (2022-09-09)	

C2: Innovation Ecosystem and Digital Solutions Development

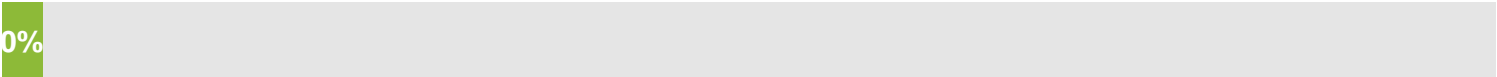
Weight: 33.33%

Qualification: Very Unsatisfactory

40%		60%	
Indicators	Planned	Achieved	Status
I1	8 (2022-04-05)	8 (2022-01-31)	
I2	12 (2023-04-05)	26 (2023-01-30)	
I5	675 (2024-04-05)	0 (2022-02-14)	
I3	3 (2023-04-05)	0 (2022-09-09)	
I4	60 (2024-04-05)	8 (2022-06-06)	

C3: Design and Pilot of Digital Loan Products for MSMEs

Weight: 33.33% Qualification: Satisfactory



Indicators	Planned	Achieved	Status
I1	5 (2024-04-05)	0 (2022-09-09)	
I2	5 (2024-04-05)	0 (2022-09-09)	
I3	5 (2024-04-05)	0 (2022-09-09)	

MILESTONES



Milestones	Achieved Value	Due Date	Achieved Date	Status
*Condiciones Previas / Prior Conditions	1	2021-10-05	2021-06-10	
*Technical Assistance Fund Guidelines/Challenge Criterial Established	1	2022-10-05	2022-01-31	
*Pilot Evaluation and Scale Strategy developed	1	2024-01-05		
*FinTech Providers Pre-Qualified to offer solutions to MSMEs	1	2023-04-05		
*Digital Solution Operation Guide developed for FIs	1	2023-10-05		
*Action Plans developed for Digitalizing FI operations	3	2022-04-05	2022-07-18	