

PROJECT STATUS REPORT

JANUARY 2016 - JUNE 2016

SECTION 1: PROJECT SUMMARY

PROJECT NAME: Rural finance partnership for Latin America and the Caribbean

Project Number: RG-M1230 - Project Num.: ATN/ME-14307-RG

Purpose: Increase outreach and improve the capacity (operational and financial) of selected MFIs in LAC to provide adequate sustainable financial services catering the needs of rural poor and low income population

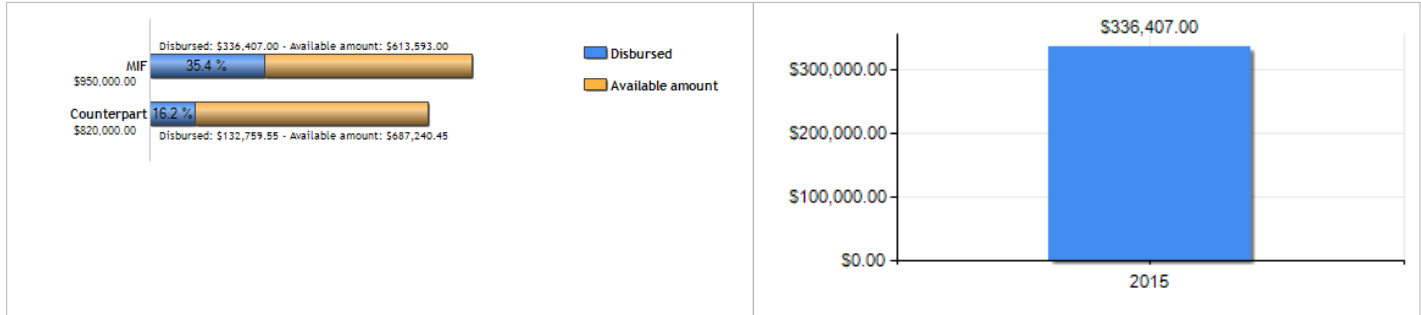
Country Admin	Country Beneficiary	Group	Subgroup
UNITED STATES	COLOMBIA, ECUADOR, GUATEMALA, MEXICO, PERU	MIC - Microenterprise Development	MFIN - Microfinance

Executing Agency: INCOFIN INVESTMENT MANAGEMENT COMM VA **Design Team Leader:** GABRIELA TORREZ
Supervision Team Leader: GABRIELA TORREZ

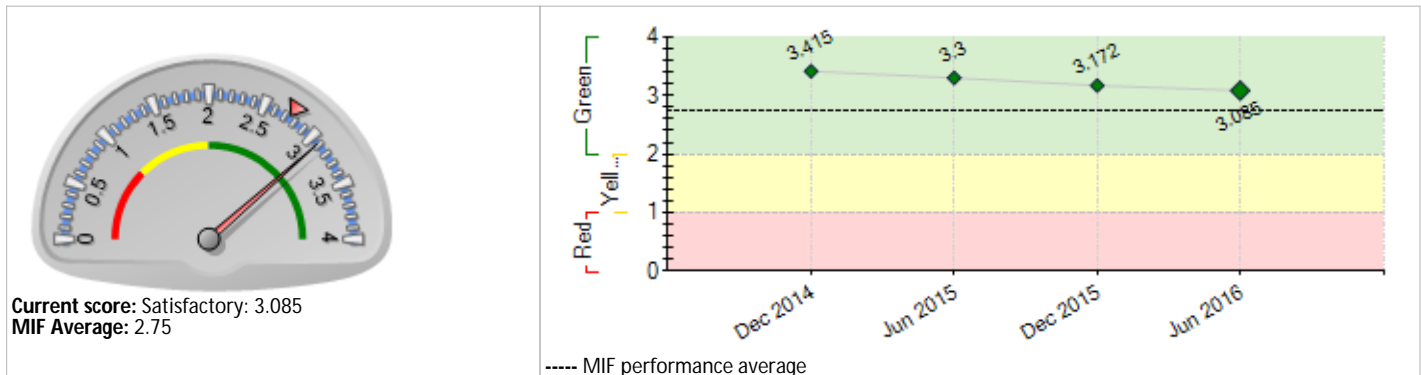
PROJECT CYCLE



FUNDS



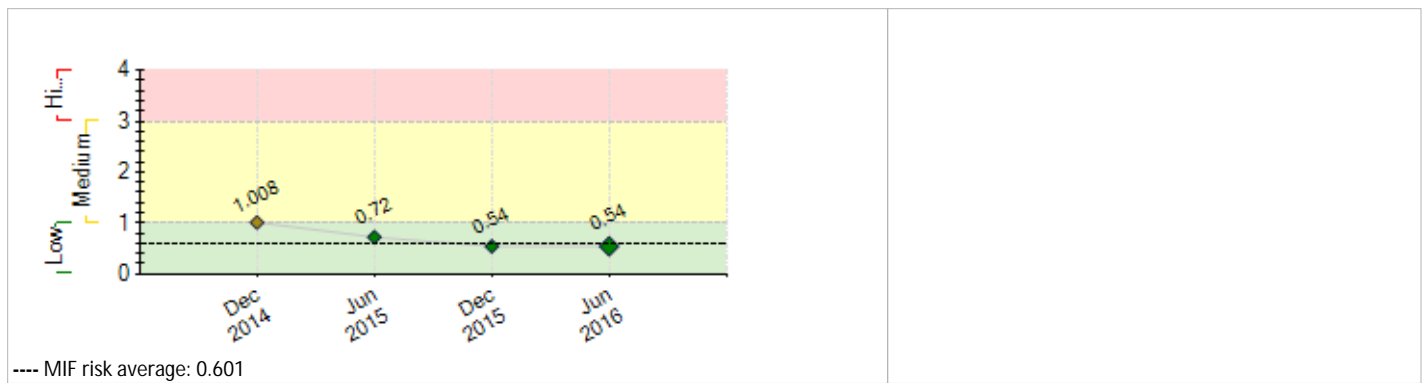
PERFORMANCE SCORE



EXTERNAL RISKS

INSTITUTIONAL CAPACITY

	Risk
Financial Management:	Medium
Procurement:	High
Technical Capacity:	Medium



SECTION 2: PERFORMANCE

Summary of project performance since inception

5 MFIs are benefitting from the RFP: Crezcamos, Edpyme Alternativa, Fondesurco, FUNDEA and Fundeser. The MFIs selected attends more than 130,000 borrowers located in underserved rural areas (75% of total borrowers) and their rural portfolio stands at USD 140 Million.

Out of total MIF committed budget, USD 468k were assigned. 70% of the budget has been allocated to product development, while the remaining distributed to SPM (16%) and ADC (12%). 17 Operator's Contracts have been signed. Additionally, the Executing Agency worked in identifying new potential beneficiaries who will build up the pipeline for 2017.

Main difficulties encountered includes: i) selecting competent and reliable consultants, ii) assuring a smooth and timely implementation of the TA projects, iii) selecting promising MFIs and impacting projects for the new pipeline.

To date, the likelihood of the RFP to achieve the objectives foreseen is highly possible. One MFI is piloting three agriculture value chain finance products. Other 4 pilots are expected to be launched in Q3 2016. 2 MFIs are exploring ADC to attain rural areas while 3 MFIs are implementing SPM improvements plans.

For the next semester, the Executing Agency will work on the organization of a learning event in the region and on the launch of a new project benefitting 3 producer organizations. At the same time, the Executing Agency will engage in the implementation of the on-going projects expecting to successfully conclude three of them.

Comments from the Supervision Team Leader

Agree with the Executing Agency comments

Summary of project performance in the last six months

This semester, all project modules have successfully been launched:

- All RFP MFIs are adapting and developing new financial products: Fundea is currently piloting 3 agricultural products targeting the value chains of broccoli. Fundeser and Fondesurco are designing new savings products. Edpyme Alternativa launched the pilot to test its reviewed agro-lending products.

- Crezcamos and Fundeser are conducting feasibility study for alternative delivery channels.

- 3 MFIs are working on enhancing SPM processes. Crezcamos is piloting an embedded financial education scheme and it is going to roll-out a client relationship management strategy. Fondesurco is enhancing its CPP practices focusing on preventing over indebtedness and fair and respectful treatment of clients; Edpyme Alternativa conducted a social rating and is finalizing the SPM action plan.

Some difficulties have been encountered in the execution of the TA projects causing some delays, these included: i) managing expectations of both consultants and the MFIs, thus finding out the most effective way to collaborate; ii) integrating the newly developed products into MFIs operations and processes; iii) timely managing administrative processes (signature of TA Operator's Contracts, internal approval processes and protocols, etc.).

The Executing Agency will closely follow up with the MFIs and the consultants to assure the necessary mediation and guidance to speed up processes and boost collaboration and cooperation.

Comments from the Supervision Team Leader

Agree with the Executing Agency comments

SECTION 3: INDICATORS AND MILESTONES

Indicators		Baseline	Intermediate 1	Intermediate 2	Intermediate 3	Planned	Achieved	Status
Purpose: Increase outreach and improve the capacity (operational and financial) of selected MFIs in LAC to provide adequate sustainable financial services catering the needs of rural poor and low income population	R.1 Number of MFIs participating in the RFP	0	3	6		10	8	
			Jul 2015	Jul 2016		Jul 2018	Jul 2016	
	R.2 Number of active clients with microloans in rural areas from the RFP MFIs	0	60000			130000	108974	
			Jul 2016			Jul 2018	Jun 2016	
	R.3 Increase in Gross portfolio in rural areas from the RFP MFIs (in US\$ millions)	0	100			250	140	
			Jul 2016			Jul 2018	Jun 2016	
	R.4 Growth rate of agro-related portfolio from RFP MFIs	0	3			6	4.07	
			Jul 2016			Jul 2018	Jun 2016	
	R.5 Portfolio quality of RFP MFIs (Max. Avg PAR 30)	0	10	10		10	4.5	
			Jul 2016	Jul 2017		Jul 2018	Jun 2016	
Component 1: Product Development								
Weight: 35% Classification: Satisfactory	C1.1 Number of rural clients of the participating MFIs using new financial products developed by the RFP at the end of reporting period	0	500			2500		
			Jan 2017			Jan 2018		
	C1.2 Number of new / reviewed financial products developed and rolled out	0	1	2		6	4	On Course
			Jan 2017	Jul 2017		Jan 2018	Jun 2016	
	C1.3 Number of new financial products focusing on agro-related activities rolled out	0	1	2		2	3	On Course
			Jul 2016	Jan 2017		Jan 2018	Jun 2016	
	C1.4 Number of RFP MFI staff trained to deliver new financial products	0	50			100	35	On Course
			Jan 2017			Jul 2018	Jun 2016	
Component 2: Exploring delivery channels								
Weight: 10% Classification: Satisfactory	C2.1 Number of MFIs conducting a feasibility study for innovative delivery channels	0	1			3	2	On Course
			Jan 2017			Jan 2018	Jun 2016	
	C2.2 Number of strategies approved to set up a new delivery channels in the coming two years	0	1			3		
			Jan 2017			Jan 2018		
Component 3: Social Performance Management								
Weight: 25% Classification: Satisfactory	C3.1 Number of RFP MFIs who have developed a SPM/ CPP action plan	0	3			6	3	On Course
			Jul 2016			Jul 2018	Jun 2016	
	C3.2 Number of RFP MFIs who have changed/started a good practice in client protection/prevention of over-indebtedness	0	2			4	3	On Course
			Jul 2016			Jul 2018	Jun 2016	
	C3.3 Number of RFP MFIs that improved at least one level in the ECHOS Tool rating	0	3			5	2	On Course
			Jul 2016			Jul 2018	Jun 2016	
	C3.4 Number of RFP MFIs using an SPM tracking tool	0	2			4	2	On Course
			Jul 2016			Jul 2018	Jun 2016	
Component 4: Capacity building in specific areas								
Weight: 15% Classification: Satisfactory	C4.1 Number of RFP MFIs that adopted and/or adjusted risk management practices	0	1			3	1	On Course
			Jul 2016			Jul 2018	Jun 2016	
	C4.2 Number of RFP MFIs that adopted new human resources best practices/ governance practices	0	1			3	2	On Course
			Jul 2016			Jul 2018	Jun 2016	
Component 5: Knowledge Management and Strategic Communication								
Weight: 15% Classification: Satisfactory	C5.1 Number of Regional workshops	0	2			3		
			Jan 2017			Jul 2018		
	C5.2 External event of dissemination	0				1		
						Jul 2018		
	C5.3 Number of people attending the events	0	10			50		
			Jan 2017			Jul 2018		

Milestones		Planned	Due Date	Achieved	Date of achievement	Status
M1	Conditions Prior	1	Jan 2015	1	Jul 2014	Achieved
M1	Signature of 2 TA agreements	2	Jul 2015	4	Apr 2015	Achieved
M2	Signature of 5 TA agreements (cumulative)	5	Jul 2016	5	Aug 2015	Achieved
M3	Participant MFI actively implementing the SPM action plan	1	Jul 2016	3	Jun 2016	Achieved
M4	Participant MFIs that adopted and /or adjusted risk management practices/department	1	Jul 2016	1	Jun 2016	Achieved
M5	Three pilot testing of products launched	3	Jan 2017	3	Jun 2016	Achieved
M6	Signature of TA Agreements (cumulative)	9	Jul 2017	5	Jun 2016	
M7	Number of rural clients using the new financial products developed	375	Jul 2017			
M8	Number of regional workshops with the RFP participant MFIs	2	Jul 2017			
M9	Number of participant MFIs that are actively implementing the SPM action plan	3	Jan 2018			
M10	Number of participant MFIs that improved at least one level in the ECHOS tool assessment	4	Jan 2018			
M12	Number of clients benefitted of the new products rolled out	2000	Jan 2018			
M11	Number of participant MFIs with social rating completed	2	Jul 2018	1	Jun 2016	

CRITICAL ISSUES THAT HAVE AFFECTED PERFORMANCE

[None reported in this period]

SECTION 4: RISKS

MOST IMPORTANT RISKS AFFECTING FUTURE PERFORMANCE

	Level	Mitigation action	Responsible
1. Low consultant performance resulting in low quality of deliverables of the project	Medium	Incofin will sign results-based contracts with the consultants as well as will include strict selection processes combined with close follow-up and review of the deliverables.	Project Guest

		In the past 12 month implementation, it has emerged that there is a limited number of available and knowledgeable consultants in the specific areas of intervention. A combination of time availability, budget constraints and limited number of expert with the relevant expertise have often hindered and delayed the selection process.	
		Both Incofin IM and the MFI are doing their best to look for performing and knowledgeable consultants to assure a high quality of deliverables	
2. No adoption of Social Performance Management principles by the MFIs due to increase of costs of implementing them and/or issues with credibility of the tools in the microfinance industry.	Low	This risk will be mitigated with eligible criteria (ECHOS Tool score more than 50%) that shows initial commitment and driven social mission as well as close monitoring by Incofin. In most of the projects focusing on SPM, the MFI has to improve at least one dimension of the social performance. The new effort at the Social performance task force (SPTF) to enhance and harmonise SPM standar can foster the implementation of good SPM best practices	Project Guest
3. Lack of committment of participant MFIs in improving capacity and performance	Low	INCOFIN will apply strict selection criteria to choose the participant MFIs and will accompany them in preparing and developing the TA project. All MFIs are genuinely committed to the programme. In most cases, the RFP responds to their needs and priorities. Additionally, within each MFI, a coordinator has been appointed to assure a timely and effective execution of activities.	Project Guest
4. External risks in terms of political, economic and financial downturns might be an issue of concern, including changes in the microfinance business enabling environment (new Laws, regulation procedures relating to the microfinance industry), financial crisis that affect liquidity/returns/portfolio quality in countries, as well as economic crisis in the real sector affecting agro related or rural markets and lack of security in rural areas.	Low	Even though, these risks are difficult to mitigate with the project, the vast experience and knowledge of the MIF and Incofin IM can contribute to provide early warnings and useful insights to help MFIs to endure the difficulties. The risk of economic and financial downturns continues being relevant in the region. As outlined in the IMF website, incertainties dominate across Latin America and the Caribbean. Regional growth is projected at just 1¼ percent, about the same low rate as in 2014 and almost 1 percentage point below IMF projections. investment. In the case of Peru, weak exports and investment have driven a sharp recent slowdown. Nonetheless, the outlook for Central America has improved as a result of lower oil prices and the robust U.S. recovery. Nonetheless, the outlook for Central America has improved due to the growth in remittances (9%) together with stronger exports, will continue to underpin domestic activity.	Project Guest
PROJECT RISK LEVEL: Low TOTAL NUMBER OF RISKS: 5 IN EFFECT RISKS: 4 NOT IN EFFECT RISKS: 0 MITIGATED RISKS: 1			

SECTION 5: SUSTAINABILITY

Likelihood of project sustainability after project completion: P - Probable

CRITICAL ISSUES THAT MAY AFFECT PROJECT SUSTAINABILITY

[None reported in this period]

Actions related to sustainability which have been taken in the reporting period:

The main actions to assure the sustainability of the RFP included:

- Accurately select consultants who can add-value to the current performance of the MFIs.
- Devote a great focus on learning, knowledge sharing, training and coaching on the job to assure that MFIs staff can highly benefit from the TA.
- Promote a collaborative environment between the staff of the MFIs and the consultants in order to assure a fruitful cooperation and high quality outputs that really fit MFIs' strategy and operations.
- Collaborate with and boost RFP MFIs to share their experiences with a broader audience.
- Focus on projects that really impact on the MFIs performance and their capacity to better serve their clients.
- Focus on projects that are highly innovative and can effectively respond to the changing trends in the industry.

SECTION 6: PRACTICAL LESSONS

1. - It is key to design TA projects that properly frame within the strategy and operations of the MFI. At the same time, the TA project should be able to grasp market trends and position the MFI at the upfront to better serve its clients and gain key market segments. - It is key that the MFI perceives the TA project as highly useful to improve its overall performance. This will entail full commitment along the whole TA project cycle and will imply a fruitful use of the deliverables developed. - It is important to determine whether the MFI dispose of the necessary financial and human resources to endorse the TA project and to roll it out. Similarly, it is fundamental to promote knowledge transfer at all levels in order to assure full ownership of the MFI once the TA project is concluded. - The Consultants should focus on transferring key knowledge through a participative process, thus transferring competences and skills which might be used by the MFI to replicate similar assignments.	Relative to Sustainability	Author Leoni, Milena
2. - It is key to have a competent and grounded project champion within the MFI who properly manage the relationship with the consultants and guide them in the development of the project. At the same time, the project champion should centralize feedback and decision power for the approval of the deliverables.	Implementation	Leoni, Milena

- Close monitoring is essential. It is important to put in place a monitoring plan, to set-up monthly calls, to update the work plan on a regular basis, to assure the involvement of the investment manager, and to follow-up on the progress of the log frame.

- It is highly recommendable that the consultants and the MFI define clear and effective communication vehicles throughout the whole project execution.

- The Executing Agency should be involved in key discussions which might affect the execution of the project. Similarly, the mediation of the Executing Agency when particular issues between the consultants and the MFI arise might be extremely useful.

3. - it is key to involve all parties who can substantially contribute to properly identify needs and room for improvements: i) The management of the MFI and Heads of Department, ii) the Investment Manager of Incofin IM.

- It is key to assess the capacity of the MFI to endorse a TA project in order not to develop a proposal that is too much complex for the MFI to implement and manage.

- It is key to prioritize areas of intervention: i) focus on no more than 2 modules, ii) when possible and applicable not to superimpose project modules.

- It is a challenge to define both project budget and project time frame ex ante, since during the implementation unexpected events or conditions might affect the initial work plan.

Design

Leoni, Milena