

# PROJECT STATUS REPORT

JANUARY 2017 - JUNE 2017

## 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**

UNITED STATES

**Country Beneficiary**

COLOMBIA, ECUADOR, GUATEMALA,  
MEXICO, PERU

**Group**

MIC - Microenterprise Development

**Subgroup**

MFIN - Microfinance

**Executing Agency:**

INCOFIN INVESTMENT MANAGEMENT COMM VA

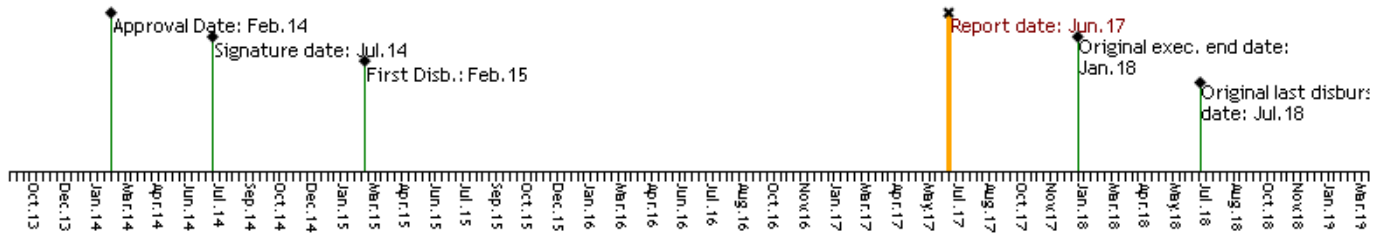
**Design Team Leader:**

GABRIELA TORREZ

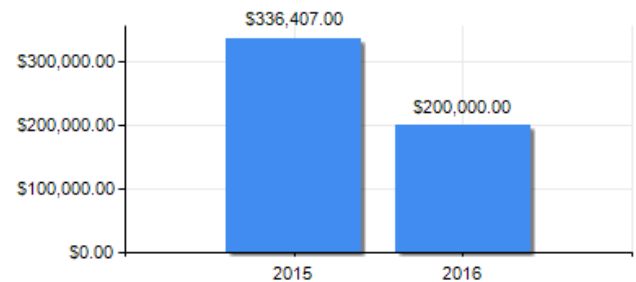
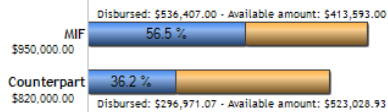
**Supervision Team Leader:**

GABRIELA TORREZ

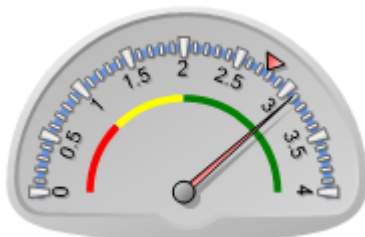
### PROJECT CYCLE



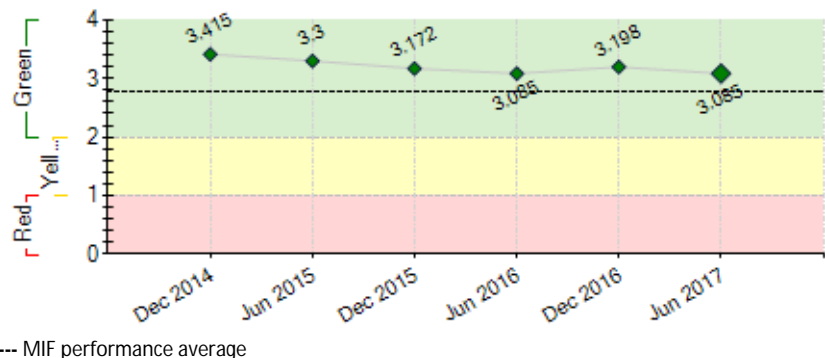
### FUNDS



### PERFORMANCE SCORE



Current score: Satisfactory: 3.085  
MIF Average: 2.768



### EXTERNAL RISKS

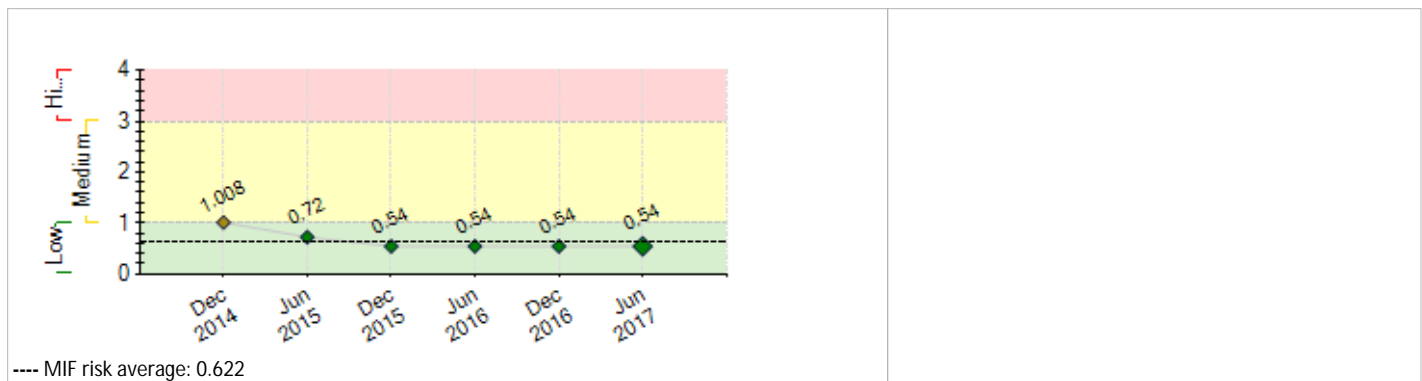
#### INSTITUTIONAL CAPACITY

**Risk**

**Financial Management:** Medium

**Procurement:** High

**Technical Capacity:** Medium



## SECTION 2: PERFORMANCE

### Summary of project performance since inception

14 Institutions involved in 10 projects are currently benefiting from the RFP. These include 11 MFIs and 3 Producer Organizations (POs) spread across 8 LAC countries. Overall, these Institutions serve more than 350,000 clients through a 423 M USD loan portfolio.

Out of the total MIF committed budget, USD 752k have been allocated as follows: 54% to product development, 16% to SPM, 7% to ADC, 6% to knowledge sharing and 16% to organizational development.

Main challenges in the RFP execution includes: i) assuring a timely implementation of the projects, ii) identify innovative and impactful projects, iii) involving other actors, such as POs, to explore new paths to financial inclusion.

To date, the likelihood to achieve the foreseen objectives is highly possible. 4 of the 10 projects have been finalized. 7 MFIs are designing/piloting/rolling out savings, credit or insurance products to reach rural segments, benefiting so far more than 700 new clients. 2 MFIs explored new delivery channels to attend rural areas while 6 MFIs are improving/have improved their SPM and social outcomes measurement frameworks. 2 MFIs are strengthening their risk management framework and finally 3 POs are revising their lending methodology to provide greater access to finance to their members.

For the next semester, the Executing Agency will work on the launch of 2 new projects, thus allocating the total RFP budget and will extensively engage in the implementation of the on-going projects.

#### Comments from the Supervision Team Leader

Agree with the Executing Agency comments

### Summary of project performance in the last six months

3 projects were launched this semester: i) 3 MFIs developing weather index- based agricultural insurance solutions in Nicaragua; ii) 3 MFIs engaging in the design of social outcomes measurement and tracking methodologies and iii) 1 MFI setting up a risk management department and enhancing risk management practices.

Relating to the 3 on-going projects: i) Fundesurco has finalized the business plan for its saving mobilization strategy to be submitted for approval to the Regulator; ii) The 3 POs finalized a lending methodology diagnostic to guide in the revision of SOPs and risk assessment tools; iii) The toolkit of the "FORITO" is under finalization and will be published in Q3 2017.

2 projects have been finalized: i) Fondesurco piloted 4 new saving products through which 71 accounts were opened and the roll out of 2 products is on-going in all the MFI's branches; ii) Crezcamos successfully piloted its housing finance and asset finance loans attending respectively, 122 and 66 clients.

Some difficulties have been encountered in the execution of the TA projects causing some delays: i) leveraging consultants and MFIs' expectations in terms of strategies and work plans ii) managing internal revision and approval processes for deliverables submitted, iii) integrating new tools and products into MFIs' operations iv) effectively coordinating multi-beneficiary (and multi-donor) projects; v) managing turnover within the Execution Agency and MFIs as well as handover processes.

#### 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

<b>Purpose:</b> 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	15	
				Jul 2015	Jul 2016		Jul 2018	Jun 2017	
	R.2	Number of active clients with microloans in rural areas from the RFP MFIs	0	60000			130000	132493	
				Jul 2016			Jul 2018	Dec 2016	
	R.3	Increase in Gross portfolio in rural areas from the RFP MFIs (in US\$ millions)	0	100			250	143	
				Jul 2016			Jul 2018	Dec 2016	
	R.4	Growth rate of agro-related portfolio from RFP MFIs	0	3			6	1.6	
				Jul 2016			Jul 2018	Dec 2016	
	R.5	Portfolio quality of RFP MFIs (Max. Avg PAR 30)	10	10	10		10	4.7	
			Jul 2014	Jul 2016	Jul 2017		Jul 2018	Dec 2016	

<b>Component 1: Product Development</b> <b>Weight:</b> 35% <b>Classification:</b> Satisfactory	C1.11	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	770	On Course
				Jan 2017			Jan 2018	Jun 2017	
	C1.12	Number of new / reviewed financial products developed and rolled out	0	1	2		6	5	On Course
				Jan 2017	Jul 2017		Jan 2018	Jun 2016	
	C1.13	Number of new financial products focusing on agro-related activities rolled out	0	1	2		2	9	On Course
				Jul 2016	Jan 2017		Jan 2018	Jun 2016	
	C1.14	Number of RFP MFI staff trained to deliver new financial products	0	50			100	134	On Course
				Jan 2017			Jul 2018	Dec 2016	

<b>Component 2: Exploring delivery channels</b> <b>Weight:</b> 10% <b>Classification:</b> Satisfactory	C2.11	Number of MFIs conducting a feasibility study for innovative delivery channels	0	1			3	2	On Course
				Jan 2017			Jan 2018	Jun 2016	
	C2.12	Number of strategies approved to set up a new delivery channels in the coming two years	0	1			3	2	On Course
				Jan 2017			Jan 2018	Dec 2016	

<b>Component 3: Social Performance Management</b> <b>Weight:</b> 25% <b>Classification:</b> Satisfactory	C3.11	Number of RFP MFIs who have developed a SPM/ CPP action plan	0	3			6	3	On Course
				Jul 2016			Jul 2018	Jun 2016	
	C3.12	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	
	C3.13	Number of RFP MFIs that improved at least one level in the ECHOS Tool rating	0	3			5	3	On Course
				Jul 2016			Jul 2018	Dec 2016	
	C3.14	Number of RFP MFIs using an SPM tracking tool	0	2			4	2	On Course
				Jul 2016			Jul 2018	Jun 2016	

<b>Component 4: Capacity building in specific areas</b> <b>Weight:</b> 15% <b>Classification:</b> Satisfactory	C4.11	Number of RFP MFIs that adopted and/or adjusted risk management practices	0	1			3	1	On Course
				Jul 2016			Jul 2018	Jun 2016	
	C4.12	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	

<b>Component 5: Knowledge Management and Strategic Communication</b> <b>Weight:</b> 15% <b>Classification:</b> Satisfactory	C5.11	Number of Regional workshops	0	2			3	1	On Course
				Jan 2017			Jul 2018	Dec 2016	
	C5.12	External event of dissemination	0				1		
							Jul 2018		
	C5.13	Number of people attending the events	0	10			50	52	On Course
				Jan 2017			Jul 2018	Dec 2016	

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	15	Dec 2016	Achieved
M7 Number of rural clients using the new financial products developed	375	Jul 2017	1	Jun 2016	
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			
M8 [*] Number of regional workshops with the RFP participant MFIs	2	Jan 2018			
M11 Number of participant MFIs with social rating completed	2	Jul 2018	2	Jan 2017	Achieved

[\*] Indicate that the milestone has been reformulated

**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. 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.	Project Guest

		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
<b>PROJECT RISK LEVEL: Low TOTAL NUMBER OF RISKS: 5 IN EFFECT RISKS: 4 NOT IN EFFECT RISKS: 0 MITIGATED RISKS: 1</b>			

## 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 programme include:

- Accurately select the consultants who can add value to the partner institution performance
- Devote a great focus on learning, training and coaching on the job to assure that knowledge is adequately transferred from consultants to beneficiaries
- Promote a collaborative environment between the staff of the PIs and the consultants in order to assure a fruitful cooperation and high quality outputs with verifiable impact on the strategy and operations of the PI
- Encourage RFP participants to share their experiences with a broader audience.
- Focus on projects that really impact the PIs' performance and their capacity to better serve their rural and agricultural clients.
- Focus on projects that are highly innovative and can effectively respond to changing trends in the industry.
- Involve different type of actors, such as POs, and explore different channels and ways to promote financial inclusion in rural areas and for the agricultural sector.

## SECTION 6: PRACTICAL LESSONS

*[No lessons learned found]*