

PROJECT STATUS REPORT

JULY 2017 - DECEMBER 2017

SECTION 1: PROJECT SUMMARY

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

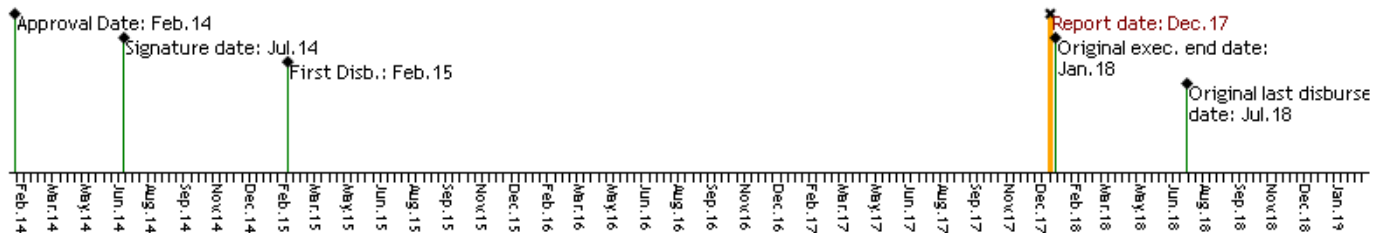
Project Number: RG-M1230 - Project Num.: ATN/ME-14307-RG

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

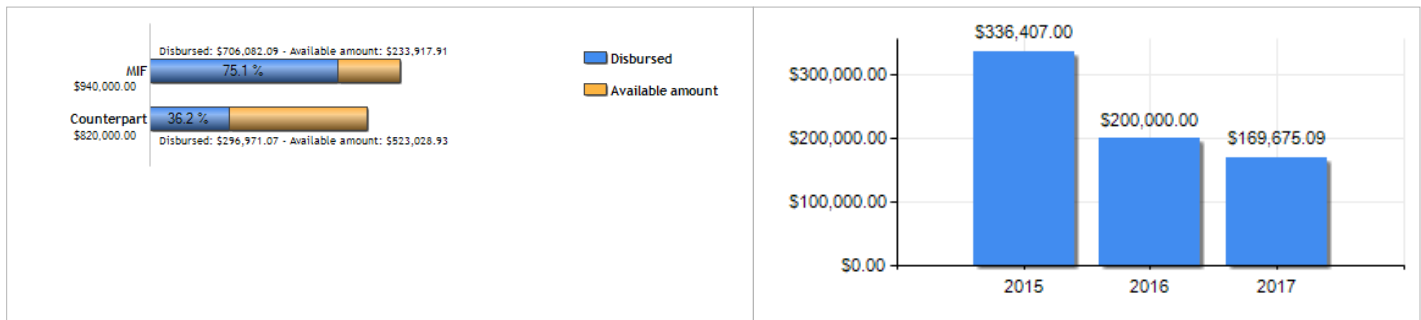
Country Admin	Country Beneficiary	Group	Subgroup
UNITED STATES	UNITED STATES	MIC - Microenterprise Development	MFIN - Microfinance

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

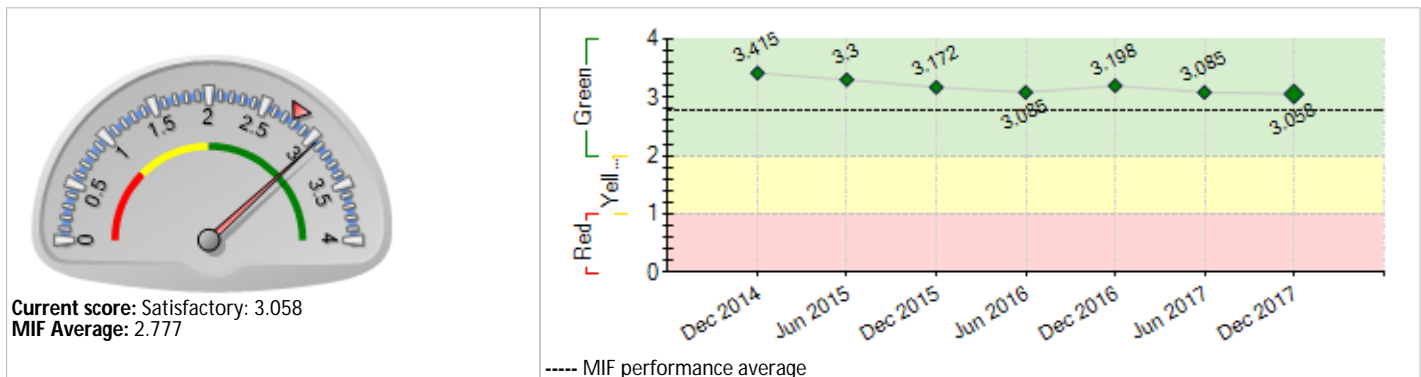
PROJECT CYCLE



FUNDS



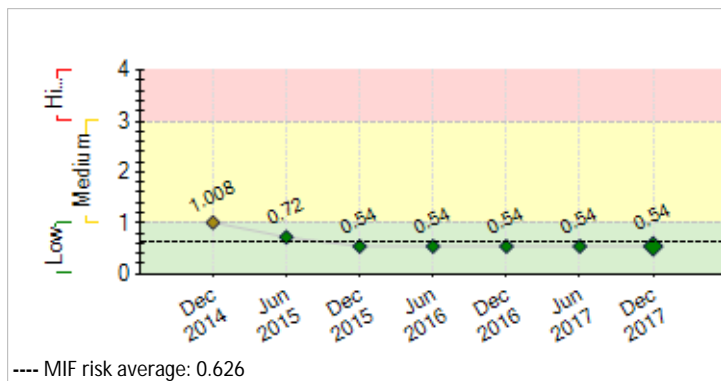
PERFORMANCE SCORE



EXTERNAL RISKS

INSTITUTIONAL CAPACITY

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



SECTION 2: PERFORMANCE

Summary of project performance since inception

15 Institutions involved in 11 projects are currently benefiting from the RFP. 12 MFIs: Crezcamos (Colombia), Ed. Alternativa and Fondesurco (Peru), FUNDEA (Guatemala), Fundeser, FDL, Fundenuse and Micrédito (Nicaragua), Enlace and SAC Integral (El Salvador), Sembrar Sartawi (Bolivia), Insotec (Ecuador) as well as 3 Producer Organizations (POs): COCAFELOL and COCAFCAL (Honduras) and UCA San Juan (Nicaragua). These Institutions serve 395k clients through a 744 M USD loan portfolio. Out of the total MIF committed budget, USD 760,5k has been allocated as follows: 51% to product development, 17% to SPM, 8% to ADC, 6% to knowledge sharing and 18% to org. development. Main challenges include: i) ensuring timely implementation, ii) identifying innovative and impactful projects, iii) involving other actors, such as POs and tech. and insurance companies to explore new paths to financial inclusion. 5 of the 11 projects have been finalized. 7 MFIs are designing/piloting/rolling out new products to reach rural and agricultural clients. 3 MFIs are exploring new delivery channels to attend rural areas and 6 MFIs are improving their SPM and outcomes measurement practices. 2 MFIs are strengthening risk management frameworks and 3 POs are revising their lending methodology to provide greater access to finance to their members. The Executing Agency will continue working to successfully finalize the ongoing projects and to host 1 regional learning event, thus allocating the total RFP budget.

Comments from the Supervision Team Leader

Agree with the Executing Agency comments
De acuerdo con el reporte de progreso del ejecutor. Las metas están siendo cumplidas.

Summary of project performance in the last six months

1 new project was launched this semester to support SAC Integral to develop new delivery channels to increase operational efficiency and maximize outreach to rural clients.

5 additional projects remain ongoing: i) **Fundeser** has finalized the business plan for its saving mobilization strategy to be submitted for approval to the National Regulator; ii) The **3 POs** are actively implementing new credit risk assessment tools and processes; iii) **FDL, Fundenuse and Micrédito** are working to concretize and implement a meso-level agricultural insurance product to mitigate agro-climatic risk; iv) **Fundeser, Insotec and Sembrar Sartawi** are designing SPM frameworks to capture and analyze data on their clients' well-being over time; and v) **Enlace** is building its capacity to manage various forms of risk through new tools and procedures.

The FORITO publication, presenting innovative smallholder financing models, was finalized this semester and distributed to Incofin's portfolio MFIs, donors, investors and other interested parties in order to promote industry best practices in attending the rural and agricultural sectors.

Comments from the Supervision Team Leader

Agree with the Executing Agency comments
De acuerdo con el reporte de progreso del ejecutor.

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 Jul 2015	6 Jul 2016		10 Jul 2018	16 Dec 2017	
	R.2 Number of active clients with microloans in rural areas from the RFP MFIs	0	60000 Jul 2016			130000 Jul 2018	271639 Dec 2017	
	R.3 Increase in Gross portfolio in rural areas from the RFP MFIs (in US\$ millions)	0	100 Jul 2016			250 Jul 2018	513 Dec 2017	
	R.4 Growth rate of agro-related portfolio from RFP MFIs	0	3 Jul 2016			6 Jul 2018	2.11 Dec 2017	
	R.5 Portfolio quality of RFP MFIs (Max. Avg PAR 30)	10 Jul 2014	10 Jul 2016	10 Jul 2017		10 Jul 2018	4.18 Dec 2017	
Component 1: Product Development Weight: 35% Classification: Satisfactory	C1.I1 Number of rural clients of the participating MFIs using new financial products developed by the RFP at the end of reporting period	0	500 Jan 2017			2500 Jan 2018	993 Dec 2017	On Course
	C1.I2 Number of new / reviewed financial products developed and rolled out	0	1 Jan 2017	2 Jul 2017		6 Jan 2018	7 Dec 2017	Finished

	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	168	Finished
				Jan 2017			Jul 2018	Dec 2017	
Component 2: Exploring delivery channels									
Weight: 10%	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	
Classification: Satisfactory	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	
Component 3: Social Performance Management									
Weight: 25%	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	
Classification: Satisfactory	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	
Component 4: Capacity building in specific areas									
Weight: 15%	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	
Classification: Satisfactory	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	
Component 5: Knowledge Management and Strategic Communication									
Weight: 15%	C5.11	Number of Regional workshops	0	2			3	2	On Course
				Jan 2017			Jul 2018	Oct 2017	
Classification: Satisfactory	C5.12	External event of dissemination	0				1		
							Jul 2018		
	C5.13	Number of people attending the events	0	10			50	63	On Course
				Jan 2017			Jul 2018	Oct 2017	

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	375	Jun 2016	Achieved
M9	Number of participant MFIs that are actively implementing the SPM action plan	3	Jan 2018	6	Dec 2017	Achieved
M10	Number of participant MFIs that improved at least one level in the ECHOS tool assessment	4	Jan 2018	4	Dec 2017	Achieved
M12	Number of clients benefitted of the new products rolled out	2000	Jan 2018	993	Dec 2017	
M8	[*] Number of regional workshops with the RFP participant MFIs	2	Jan 2018	2	Oct 2017	Achieved
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. Both Incofin IM and the MFI are doing their best to look for performing and knowledgeable consultants to assure a high quality of deliverables	Project Guest
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 commitment 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	Project Guest

<p>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.</p>	Low	<p>each MFI, a coordinator has been appointed to assure a timely and effective execution of activities.</p> <p>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.</p> <p>The risk of economic and financial downturns continues being relevant in the region. As outlined in the IMF website, uncertainties 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.</p>	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:

Main actions to assure the sustainability of the RFP program include:

- Accurately select expert consultants who are attuned to the realities of MFIs and POs.
- Devote a great focus on learning, knowledge sharing, training and coaching on the job to empower MFIs staff.
- 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 fit beneficiaries' strategy and operations.
- Understand the experience of TA beneficiaries and share with a broader audience.
- Focus on projects that truly impact the MFIs performance and their capacity to better serve their clients.
- Focus on projects that are highly innovative and can effectively respond to changing trends in the industry.
- Involve different types of actors, such as POs and technology and insurance providers and explore different channels to promote financial inclusion in the rural and agricultural sectors.

SECTION 6: PRACTICAL LESSONS

<p>1. - Continuity in the project coordinator is a challenge both at the MFI/PO and Executing Agency levels. Having a steering committee that follows-up on the project or fall-back champion to provide support can be beneficial.</p> <ul style="list-style-type: none"> - Consultant payments should be conditional to the approval of deliverables to ensure outputs of sufficient quality and utility. - Conducting interviews and reference checks with new consultants is recommended. Expanding the database of experts with references to past projects can help to guide future procurements. - External market conditions, the socio-economic situation of clients and new issues such as climate changes could affect the success and results of the program. The design of new financial products should take these variables into account, integrating risk assessment and mitigation measures to help PIs to cope with unpredictable events. - With POs, it is key to implement strategic and long-term impact projects which can enhance their resistance to shocks. 	Relative to Risk	Author Amatucci, Ludovica
<p>2. - Design TA projects that fit within the strategy and operations of the MFI/PO, positioning them to better serve clients and respond to market trends.</p> <ul style="list-style-type: none"> - It is key that the MFI/PO perceives the TA project as highly useful to improve its overall performance. This will entail full commitment throughout the project cycle and will imply a fruitful use of the deliverables developed. - Determine whether the MFI/PO has the necessary financial and human resources not only to endorse the project, but also to roll it out. - The Consultants should focus on transferring key knowledge through a participative process, thus transferring competences and skills which might be used by the MFI/PO to replicate similar assignments. Moreover, the consultants should involve staff at all institutional levels, from Management to field staff in order to facilitate sustainable improvements. 	Sustainability	Amatucci, Ludovica
<p>3. - It is fundamental to have a prepared and grounded project champion within the MFI/PO who properly manages the relationship with the consultants and guides them in the development of the project. At the same time, the project champion should centralize feedback and decision-making for the approval of the deliverables.</p> <ul style="list-style-type: none"> - 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 progress of the log frame. - The consultants and the beneficiary should maintain open communication, allowing them to closely collaborate and exchange information in a timely manner. - When needed, the Executing Agency should be involved in key discussions which might affect the execution of the project. - When dealing with complex, multi-party projects, devote a budget for appointing a Project Coordinator to ensure adequate follow up. 	Implementation	Amatucci, Ludovica

4. - Involve all stakeholders to have a full picture of priority areas of improvement for strategic growth: BoD and management, department heads, Incofin TA and investment teams.
 - When collaborating with POs who are less familiar with TA, provide advance training on TA processes and requirements to ensure smooth implementation.
 - Assess the capacity of the beneficiary to endorse a TA project to avoid developing a proposal that is too complex to implement and manage.
 - Prioritize areas of intervention, focus on no more than 2/3 modules and stagger interventions to effectively coincide with the beneficiaries operations.
 - It is a challenge to define both project budget and timeframe ex ante, since during the implementation unexpected events or conditions might affect the initial work plan.
 - Designing projects involving several PIs can be an effective strategy to share experiences and best practices, grasp insights from different contexts and create economies of scale.

Design

Amatucci, Ludovica