

PROJECT STATUS REPORT

JANUARY 2018 - JUNE 2018

SECTION 1: PROJECT SUMMARY

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

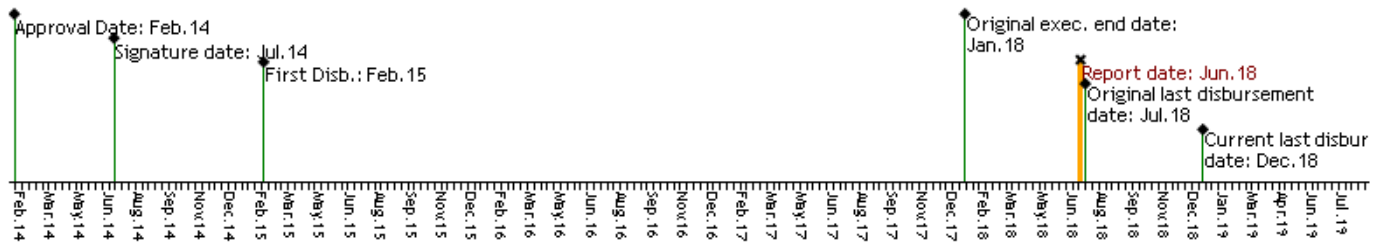
Project Number: RG-M1230 - Project Num.: ATN/ME-14307-RG

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

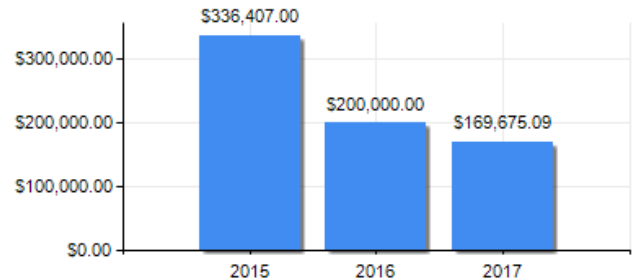
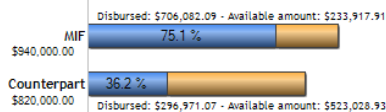
Country Admin	Country Beneficiary	Group	Subgroup
UNITED STATES	COLOMBIA, ECUADOR, GUATEMALA, MEXICO, PERU	MIC - Microenterprise Development	MFIN - Microfinance

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

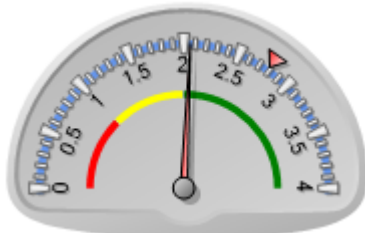
PROJECT CYCLE



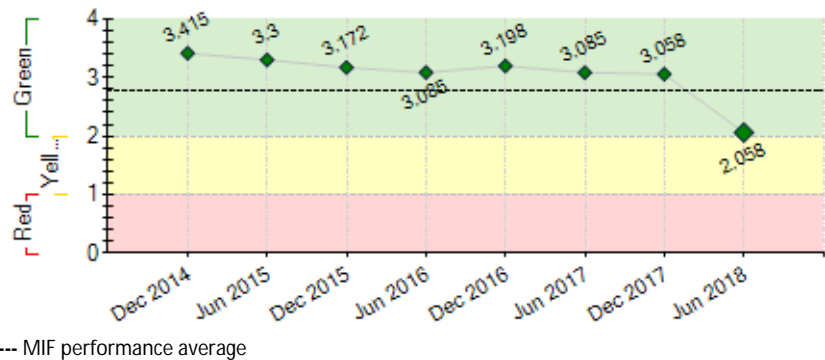
FUNDS



PERFORMANCE SCORE



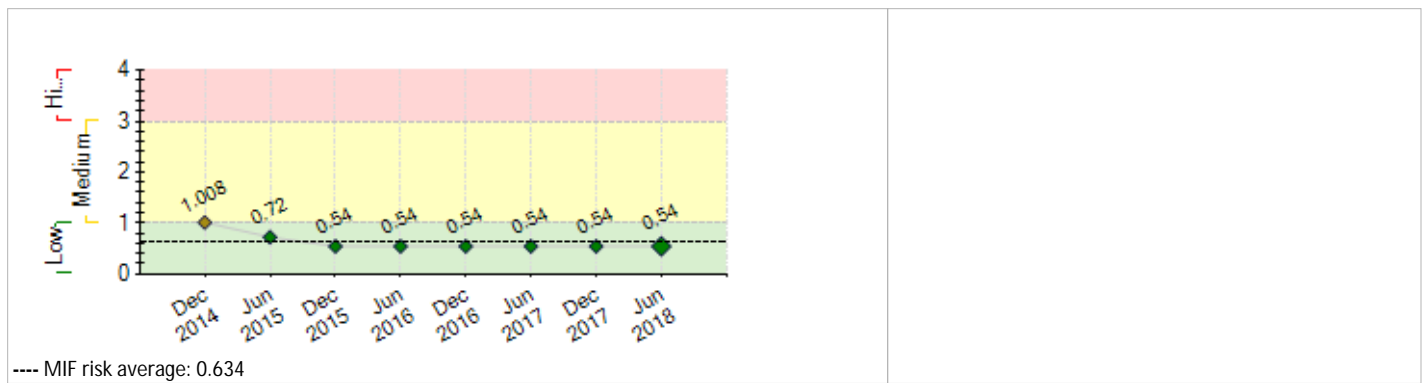
Current score: Satisfactory: 2.058
MIF Average: 2.788



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 12 projects are currently benefiting from the RFP. 12 MFIs: Crezcamos (Colombia); Ed. Alternativa and Fondesurco (Peru); FUNDEA (Guatemala); Fundeser, FDL, Fundenuse and Micredito (Nicaragua); Enlace and SAC Integral (El Salvador); Sembrar Sartawi (Bolivia); Insotec (Ecuador) and 3 Producer Organizations (POs): COCAFELOL and COCAFCAL (Honduras); UCA San Juan (Nicaragua). These Institutions serve 422k clients through a 712M 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. 8 of the 12 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

Summary of project performance in the last six months

4 projects remain ongoing: i) **Fundenuse and Micredito** are implementing a meso-level agricultural insurance product to mitigate the harmful effects of climate change for smallholders; ii) **Fundeser, Insotec and Sembrar Sartawi** are designing SPM frameworks to capture and analyze data on their clients' well-being over time; iii) **Enlace** is building its capacity to manage various forms of risk through new tools and procedures; iv) **SAC Integral** is developing a mobile application to increase operational efficiency and maximize outreach to rural clients

A knowledge-sharing event aimed at showcasing innovative climate-smart agricultural tools developed through the RFP is being conceptualized and will be presented to the RFP committee during H2 2018.

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	16	
			Jul 2015	Jul 2016		Jul 2018	Dec 2017	
	R.2 Number of active clients with microloans in rural areas from the RFP MFIs	0	60000			130000	282668	
			Jul 2016			Jul 2018	Jul 2018	
	R.3 Increase in Gross portfolio in rural areas from the RFP MFIs (in US\$ millions)	0	100			250	463	
			Jul 2016			Jul 2018	Jul 2018	
	R.4 Growth rate of agro-related portfolio from RFP MFIs	0	3			6	-2.46	
			Jul 2016			Jul 2018	Jul 2018	
	R.5 Portfolio quality of RFP MFIs (Max. Avg PAR 30)	10	10	10		10	4.98	
		Jul 2014	Jul 2016	Jul 2017		Jul 2018	Jul 2018	
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			2500	4619	Finished
			Jan 2017			Jan 2018	Jun 2018	
	C1.I2 Number of new / reviewed financial products developed and rolled out	0	1	2		6	7	Finished
			Jan 2017	Jul 2017		Jan 2018	Dec 2017	
	C1.I3 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.I4 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	C2.I1 Number of MFIs conducting a feasibility study for innovative delivery channels	0	1			3	3	Finished
			Jan 2017			Jan 2018	Jun 2018	
	C2.I2 Number of strategies approved to set up a new delivery	0	1			3	3	Finished

Weight: 10%	channels in the coming two years		Jan 2017		Jan 2018	Jun 2018	
Classification: Satisfactory							
Component 3: Social Performance Management	C3.I1 Number of RFP MFIs who have developed a SPM/ CPP action plan	0	3		6	6	Finished
Weight: 25%	C3.I2 Number of RFP MFIs who have changed/started a good practice in client protection/prevention of over-indebtedness	0	2		4	4	Finished
Classification: Satisfactory	C3.I3 Number of RFP MFIs that improved at least one level in the ECHOS Tool rating	0	3		5	5	Finished
	C3.I4 Number of RFP MFIs using an SPM tracking tool	0	2		4	4	Finished
Component 4: Capacity building in specific areas	C4.I1 Number of RFP MFIs that adopted and/or adjusted risk management practices	0	1		3	4	Finished
Weight: 15%	C4.I2 Number of RFP MFIs that adopted new human resources best practices/ governance practices	0	1		3	3	Finished
Classification: Satisfactory							
Component 5: Knowledge Management and Strategic Communication	C5.I1 Number of Regional workshops	0	2		3	2	On Course
Weight: 15%	C5.I2 External event of dissemination	0			1	1	Finished
Classification: Satisfactory	C5.I3 Number of people attending the events	0	10		50	63	On Course

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	Not Achieved
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 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	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.	Project Guest

(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.

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.

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 beneficiary staff.
- Promote a collaborative environment between the beneficiary staff and consultants in order to assure a fruitful cooperation and high quality, practical 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 beneficiary performance and capacity to better serve 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

	Relative to Risk	Author Amatucci, Ludovica
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. - Payments to the consultants should be conditional to the approval of the deliverables in order to assure outputs of sufficient quality and utility for the MFI/PO. - During the procurement process, conducting interviews 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 and services should take these variables into account, integrating risk assessment and mitigation measures to support the beneficiaries to cope with unpredictable events. - Involving POs is a risky strategy consider		
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. - 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 practical 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
3. - It is fundamental to have a prepared and grounded project champion within the MFI/PO who properly manages the relationship with the consultants. The project champion should centralize feedback and decision-making for the approval of the deliverables. - Close monitoring is essential. It is important to put in place a monitoring plan, have monthly calls, update the work plan on a regular basis, assure the involvement of the investment manager, and 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-donor or multi-beneficiary projects, devote a budget for appointing a Project Coordinator to assure the adequate coordination and monitoring of activities.	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 beneficiaries' operations.	Design	Amatucci, Ludovica

- 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 MFIs/POs can be an effective strategy to: i) share experiences and best practices, ii) grasp lessons learned and insights from different institutional and country co