FINAL EVALUATION:

"CORPORATE SOLUTIONS TO DEVELOP MICROFINANCE IN MEXICO"

ME-M1037

AUGUST 2012

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A. OVERVIEW

The following report details the findings from the final evaluation of the "Corporate Solutions to Develop Microfinance in Mexico" project -ME-M1037- (the Project) that was implemented by Sociedad Financiera Popular FinComún (FinComún) throughout Mexico. Based on the contractual obligations between FinComún and the MIF, FinComún was required to retain a private consultant to conduct the final evaluation of the Project. In early 2012, the MIF began a selection process to contract a consultant to conduct the final evaluation of the project, analyze what factors contributed to its "unsatisfactory execution" (as deemed by the MIF) and to identify any lessons learned from the project that might be applicable to other MIF "corporate solutions to poverty" projects in the future. The MIF selection committee selected Jason Spindler (the Consultant), Managing Director of I-DEV International, as the consultant for the evaluation based on his in-depth experience in development finance, social entrepreneurship, corporate social responsibility and program evaluation.

The office visits and in-field components of the evaluation took place in Mexico City in July 2012. The report is based in its entirety on information, statistics, and financial data provided to the Consultant by representatives of FinComún, Bimbo and the MIF. The Consultant does not assume responsibility for any fraudulent or misleading data or information contained in this report provided to them by any of the aforementioned parties.

In 2007, MIF entered into a contract with FinComún, a leading microfinance institution in Mexico, to expand and scale a unique micro-finance initiative that FinComún had developed in conjunction with Bimbo, a major Latin American baked-goods company. In July, 2010, 30 months after the 36 month project began implementation, only 25% of the total budget had been disbursed and it was apparent that the project was encountering serious challenges to several key components. A mid-term evaluation to analyze the project, its results to date, and to make recommendations for improving the project's performance and results was conducted by an external consultant, and on August 9 2011, the project ended its execution period and was deemed "unsatisfactory" based on its failure to meet many of the original indicators for each component.

The 36 month Project had a total budget of US$2 million, US$1 million contributed as non-reimbursable grant funding by the Inter-American Development Bank's Multilateral Investment Fund (MIF), with the remaining US$1 million in funding contributed by FinComún and their partner for the project Grupo Bimbo S.A.B. de C.V. (Bimbo). The project commenced with the contract signing on February 9, 2008 and was concluded on August 9, 2011. Several of the

components were only partially implemented, as such FinComún used only 69.8% (US$698,001) of the total MIF funding requested and approved in the original project budget (*a detailed analysis of sources and uses of funds provided in document*).

The Project was developed and implemented with the following Objectives and Components:

General Objective: To help develop and deepen the microfinance market in Mexico.

Specific Objective: To develop & implement a new business model for the provision of microfinance services to shop owners through a business partnership between a large company and a microfinance institution.

Component I: Optimization and expansion of the provision of financial services

Component II: Development and marketing of new microfinance products

Component III: Design and pilot test of correspondent financial services

Component IV: Evaluation and dissemination

B. Approach and Methodology

The final evaluation was conducted based on the agreed upon work plan included as an annex to the evaluation contract between FinComún and the Consultant. It was conducted over a period of approximately 1 month with the majority of the analysis taking place during office and in-field visits by the Consultant in Mexico City from July 8th – 13th, 2012. The Objectives of the evaluation were:

- To conduct an in-depth analysis of the issues and challenges that led to the "unsatisfactory implementation" of the FinComún/Bimbo project (as deemed by the MIF) (*see Project Issues and Challenges Section pgs.13-21*) .
- To develop practical, transferable lessons learned that can be used to guide current and future MIF projects and to train MIF staff (*see Lessons Learned Section pgs. 21-27*).
- To develop an analysis of the underlying hypothesis related to this type of "corporate solution to poverty" and any recommendations for adjusting or modifying the hypothesis, model or approach.
- Specifically, the study will answer whether the project's model of corporate engagement is, or can be, generally effective, i.e. were the project's difficulties due to specific project related issues, or is the general concept of corporate involvement in financing their own supply chains fundamentally flawed?
- Further, if the difficulties were project specific, what strategies can be implemented in current and future projects that might prevent, or mitigate similar risk.

The evaluation was conducted via a comprehensive review of relevant secondary information, followed by in-depth interviews with FinComún and Bimbo senior management and project

staff, Bimbo truck drivers and supervisors that participated in the project, and MIF specialists and staff in Mexico City and Washington D.C. that participated in the design, approval and management/oversight of the project. In-field interviews with store owners (direct beneficiaries) who participated in the program were also conducted in Mexico City and surrounding towns to gauge impact generally.

It is important to note that in 2011, FinComun hired a new Director General, Guillermo Collin, to lead an organization wide restructuring in an effort to improve FinComún's sophistication, efficiency and profitability, reduce growing account delinquency, and eliminate any underperforming product lines, business units, and branches. While FinComún's reorganization was not directly related to the Project, there have been significant changes to FinComún staff and Martin Zubieta, Director Comercial and one of the Project's senior managers, is the only FinComún employee who participated in the Project still working with FinComún. Alejandro Carrillo Rojas, the Project Coordinator, left FinComún several weeks prior to the evaluation, however, was interviewed as part of the evaluation and provided input included in this report. Additionally, as part of the organizational restructuring, FinComún closed all of the agencies/branches outside of Mexico City metropolitan area that participated in the program and dismissed all of the related staff in each location. Further, within Bimbo, the majority of the drivers, warehouse managers and direct staff that were directly engaged in the project have since rotated to other areas and were not available for interviews. However, Adolfo Pérez Salgado, the "Divisional de Proyectos Dirección de Ventas Canal Detalle" and project manager within Bimbo did participate in all of the interviews and meetings and provided considerable information and insight for the evaluation.

While ideally, the evaluation would have included additional interviews with other members of the FinComún and Bimbo teams both in Mexico City and in the other markets included in the project, as well as additional in-field interviews with store owners and direct beneficiaries, the interviews and meetings that were conducted were sufficient to provide a high level quantitative analysis of project budget and impact (as provided by FinComún, Bimbo and MIF), and sufficient qualitative analysis necessary to achieve the evaluation's objectives. Based on indications from the MIF staff and the Work Plan included as an annex to the Evaluation Contract, the evaluation's main objective is to provide FinComún and MIF staff with a qualitative analysis and evaluation of the project focused on identifying the underlying causes for project outcomes and developing lessons learned that may be applicable to future projects. As such the majority of the analysis and the evaluation methodology focuses on these points.

The chart below lists all of the interviews conducted as part of this analysis.

EVALUATION INTERVIEW LIST

Person Interviewed	Location	Organization	Title
Guillermo Collin	FinComún Office	FinComún	Director General
Martín Zubieta	FinComún Office, Bimbo Distribution Center Lerma	FinComún	Director Comercial
Alejandro Carrillo Rojas	FinComún Office	FinComún	Coordinador de Proyectos
Elizabeth Patricia Arzate Sanchez	Telephone	FinComún	Gerente de Implementación de Productos de Captación y Seguros
Dolores Castro	FinComún Office, Bimbo Distribution Center Lerma	FinComún	Directora de Negocios Empresariales
Adolfo Pérez Salgado	FinComún Office, Bimbo Distribution Center Lerma	Bimbo	Divisional de Proyectos Dirección de Ventas Canal Detalle
Divisional de Ventas that Participated in the Project (1)	Bimbo Distribution Center Lerma	Bimbo	Divisional de Ventas
Bimbo Drivers that Participated In the Project (3)	Bimbo Distribution Center Lerma	Bimbo	Vendedor
Alberto Bucardo Castro	IDB México	IDB	MIF Specialist
Guillermo Aguilar Ríos	IDB México	IDB	MIF Specialist
Miguel Aldaz	IDB Washington, D.C.	IDB	IDB Specialist
Nobuyuki Otsuka	IDB Washington, D.C.	IDB	MIF Specialist
Francisco Rojo	IDB Washington, D.C.	IDB	MIF Specialist
Edgar Rivera	IDB Washington, D.C.	IDB	MIF Specialist
Tenderos de Bimbo acreditados por FinComún (5)	San Mateo Atenro, San Gaspar Tlalhuelilpan, Ocoyoacac	NA	NA

C. Key Actors

Grupo Bimbo, a company established in Mexico in 1945, is now the world's largest baked goods company with major brands in the United States, Latin America, Europe and Asia. In 2011, Grupo Bimbo reported US$10.7 billion in revenue from over 10,000 products sold under 103 brands globally. The company has 98 plants and 600 distribution centers located in 17 countries throughout the Americas and Asia and employees more than 100,000 people. In Mexico alone, Grupo Bimbo has 246 warehouses and distribution centers, 18,600 distribution routes and approximately 700,000 points of sale. Approximately, 60% of Bimbo's sales in Mexico come from small shop owners. This is down slightly from 70% over the past 5 years as larger chains such as Oxxo, 7-11 and Wal-mart take up increasingly larger shares of even the smaller traditionally underserved markets.

FinComún - Servicios Financieros Comunitarios, S.A. de C.V., Sociedad Financiera Popular (S.F.P.) was founded in 1994 (although the legal structure and operating entity has changed since founding) and today is one of the largest micro-credit and micro-savings institution in Mexico. The organization enables its members, generally owners of small and medium sized businesses, to access a host of micro-financing products including micro-credits and micro-insurance, among other innovative products and services. At the end of 2011, the organization had a total loan portfolio of US$53.8 million to over 130,000 clients, over 70 agencies/branches and approximately 1,000 employees throughout Mexico. FinComun's average loan size in 2011 was approximately US$1,000, up considerably from US$700 in 2007 when the project began. At the end of the same year the organization had total client deposits of US$37.6 million from 85,358 depositors for average deposits per client of US$440.

D. Relationship Between FinComún & Bimbo

The relationship between FinComún and Bimbo dates back to 2001. Historically, up to 70% of Bimbo's sales in Mexico come from its network of small scale micro-entrepreneurs, "tenderos", largely store owners that operate neighborhood "bodegas" throughout the country. These small stores employ at most 3 people in addition to the owners, but most are run and operated by families. The stores generate on average between US$15,000 and US$25,000 per year in gross revenues, with average net profit margins of between 8% and 15%. Many of the tenderos interviewed as part of the evaluation indicated that they needed loans of between US$300 and US$2,000 to cover working capital needs and cash flow shortfalls or even for store expansions.

In the past 5 years the percentage of Bimbo's sales coming from its network of tenderos has decreased to approximately 60% as large chains such as Oxxo and Wal-mart have increased their presence and penetration in Mexico. Despite the fact that Bimbo has nearly 100% market penetration and near monopolies for its principal products, the company has a long established history of being the preferred supplier to its network of tenderos an on-going priority. This focus demonstrates the key role that Bimbo's 800,000 tenderos still play in the distribution and sale of Bimbo products.

In 2001, as part of this preferred supplier initiative, Bimbo sought to establish a long-term relationship with a microfinance institution that would provide its tenderos with access to microcredit and other microfinance products. While Bimbo's long-term culture of support for its tenderos was the primary motivation for developing the initiative, the company also recognized an opportunity to increase sales and drive additional product volume to its tendero network by providing them with access to finance for working capital, store expansions and improvements. FinComún was one of the organization evaluated for this partnership and was eventually selected based on its experience working with micro-entrepreneurs. The two organizations began to develop and pilot test the framework for a mutually beneficial relationship that in 2007 resulted in the MIF Project currently being evaluated.

2002 – 2003: FinComún representatives accompanied Bimbo drivers in the Mexico City metropolitan area, conducting sales and informational visits to tenderos within Bimbo's network. The FinComún agents distributed marketing and promotional materials about FinComún micro-credit products, established follow-up appointments with interested store owners who they later visited independent of Bimbo drivers to provide additional information and begin the loan process. While the agents were able to initiate the loan process and applications in the store, the documentation had to be finalized and the credit processed in the nearest FinComún agency.

2003 – 2004: Bimbo implemented a new information systems platform that included the use of Hand Held point of sale devices which were used by Bimbo drivers to process in store sales of traditional Bimbo products (although devices did not have online or wireless capabilities). FinComún recognized an opportunity to utilize the new hand held based platform to collect and process loan payments to store owners directly in their stores by Bimbo drivers. Both organizations saw the mutually beneficial advantages to having Bimbo drivers process payments in store and jointly began to develop the "Pay in my business" ("Pago en mi Negocio") program and the necessary information platforms and databases to integrate FinComún with Bimbo's systems (laying the initial groundwork for the basis and core components of the MIF Project). Once fully developed and rolled out, the program had the potential of providing FinComún with a considerable competitive advantage over other micro-

finance institutions in that store owners would be able to avoid making trips to an MFI agency to make payments, saving store owners considerable time and money. Bimbo saw an opportunity to more closely link its brand and sales representatives/drivers with a high value service provided directly to the highest performing tenderos in its network.

2005 – 2006: FinComún began to evaluate a new operating model that utilized Bimbo's network in areas where they do not have agencies. Under this new model, FinComún representatives were based in Bimbo warehouse and distribution centers, visited tenderos in the Bimbo network and directly established and processed credit applications eliminating the need for the potential clients to travel to a FinComún agency. The new model was piloted in Texcoco and utilized debit cards to provide approved clients with their loans. The clients paid their loans via an initial pilot version of the "Pay in my business" program. The program was later improved upon and rolled out to additional Bimbo locations during the Project's implementation.

2006 – 2007: Seeking to build on the initial pilot and preparing to scale the program, FinComún began to standardize a streamlined process for loan applications and pre-approval. They leveraged the Bimbo database in each distribution center to analyze the credit worthiness of store owners based on various criteria. They established a core group of "pre-selected/pre-approved" tenderos and developed marketing and promotional material for Bimbo drivers to distribute in the hopes that this would reduce the workload of FinComún representatives eliminating at least 1 round of in store visits. They also developed and implemented a brief binary, yes/no, survey to gauge interest among pre-selected tenderos that Bimbo drivers were intended to conduct via their hand held POS systems. These efforts to reduce sales and operating costs for FinComún sought to leverage the nearly daily in store presence of Bimbo drivers.

2007 – 2011: FinComún further developed and began to scale its new expansion strategy based on leveraging Bimbo's tendero network to generate sufficient volume of new clients thereby justifying launching new FinComún branches in Monterrey, Guadalajara, Toluca, Puebla y San Luis Potosí.

In 2007, Bimbo increased its ownership stake in FinComún, purchasing an additional 10% of the organization, for a total of 30% of its shares, providing FinComún with the capital required for the organization's proposed expansion. The two organizations also began conversations with the MIF and developed the Project to scale out the model previous piloted, which was finally approved on November 14, 2007.

II. Executive Summary & General Findings

At its core, the Project and its objectives are sound, and make a great deal of sense conceptually. Corporations can, should, and do play a critical role in developing, improving and financing their customers, sales channels and supply chains. This is no novel concept, and there are countless examples that prove the point. Major corporations from the auto manufacturers to department stores have provided consumer and sales channel financing of various forms using a number of different models for over a century. Further, the global coffee industry has developed successful models for financing base of the pyramid supply chains through partnerships between cooperatives, large coffee companies, such as Green Mountain Coffee and Starbucks and financial service providers such as Root Capital and Rabobank. Ample precedent does exist.

However, if evaluated on a component by component basis and focusing on Project performance in regards to the specific indicators established for each component and activity at the outset, the Project was largely unsuccessful. This begs the question, was the Project wholly unsuccessful, or was it that the indicators and expectations for the Project's outcomes were unrealistic and misaligned? For example, the Project did have several notable, albeit unanticipated, positive long-term impacts that may lead one to consider the Project relatively successful. These successes include deepening the relationship between Bimbo and FinComún, who is now providing microfinance products to Bimbo's employees. Further, a minimum of 2,700 tenderos are still FinComún clients (*only reflects the number of tenderos who still have the Bimbo initiated loan products and does not include tenderos who initiated with the Bimbo products but have since migrated to other FinComún finance and insurance products*). Specific long-term impacts for each group (FinComún, Bimbo and the tenderos) and the challenges and issues faced during the Project's implementation are described in detail in the subsections below.

Generally, both FinComún and Bimbo demonstrated a great deal of dedication and moral commitment to the Project and both organizations played an active role in its development and implementation. Further, the Project's oversight and administration complied with most, if not all MIF requirements. Nonetheless, upon the collective decision of the MIF, FinComún and Bimbo, the Project was suspended after 30 months of implementation (30-36 months) for failure to achieve anticipated results. At termination, the Project had utilized only 69.8% of the original budget from the MIF, with FinComún and Bimbo contributing a total of 126% of their original budget. The chart below summarizes the uses of funding for each component.

FinComun/Bimbo Project Budget Analysis

	FinComun/Bimbo	IDB	Total
Project Total			
Budgeted	$1,000,000	$1,000,000	$2,000,000
Actual	$1,263,699	$698,001	$1,961,700
Percentage	***126.4%***	***69.8%***	***98.1%***
Component I			
Budgeted	$793,000	$160,000	$953,000
Actual	$1,247,094	$101,384	$1,348,478
Percentage	***157.3%***	***63.4%***	***141.5%***
Component II			
Budgeted	$157,600	$302,500	$460,100
Actual	$4,528	$41,601	$46,129
Percentage	***2.9%***	***13.8%***	***10.0%***
Component III			
Budgeted	$4,291	$287,464	$291,755
Actual	$1,836	$79,387	$81,223
Percentage	***42.8%***	***27.6%***	***27.8%***
Component IV			
Budgeted	$0	$0	$0
Actual	$0	$0	$0
Percentage	***NA***	***NA***	***NA***

Component I was the only component that was substantially implemented, however with mixed success on the majority of its contemplated activities. FinComún/Bimbo invested 157% of the total amount originally anticipated. The majority of the additional funding was spent on developing the technology and information systems and platforms necessary to integrate the FinComún systems and databases with Bimbo's. This system was used for approximately 3 years before it was abandoned for various reasons, including a full system redesign and restructuring within Bimbo (which is currently underway). Most importantly, under Component I FinComún signed 21,345 new clients from within the Bimbo network as a result of the Project, which represents 53% of the total original goal. Of these, 10% are still FinComún customers to date (*only reflects the number of tenderos who still have outstanding Bimbo initiated loan products and does not include tenderos who initiated with the Bimbo products but have since migrated to other FinComún finance and insurance products, which is not tracked by FinComún*).

Component I also included 2 activities which were critical to the successful operationalization and implementation of the entire Project; Activity I.2 - *Develop a model to train FinComún and Grupo Bimbo staff in the optimized processes and new methodology*, and Activity I.3 - *Design an operating and supervision structure to scale up the operation*. FinComún fell considerably short on the design and implementation of both of these activities, which in turn played a key role in the majority of the Project's challenges throughout implementation. This was primarily the result of inadequate project management by FinComún.

Component II was only partially implemented and was discontinued after using only 10% of the original budget. FinComún placed 1,090 home improvement loans of the 4,000 loan goal, for a total value of US$3.49 million and sold 4,320 life and disability insurance policies, compared to the goal of 15,000 policies. FinComún decided to cancel the component based on lack of interest from tenderos for this first insurance product, and as such no other insurances products were developed or marketed to store owners, including anticipated education and health products. The failure of Component II is most likely due to a lack of bandwidth and capacity within FinComún to develop, sell and service more creative, and likely more relevant insurance products specifically tailored to the needs and interests of the tenderos. During the mid-project evaluation, the consultant indicated that many of the Bimbo staff members and drivers interviewed expressed considerable concern about the quality of customer care and FinComún's ability to effectively sell and service insurance policies that Bimbo was recommending. Further, this component added an additional level of complexity to an already complicated and difficult project. Eliminating Component II from the Project's original design may have helped simplify the Project's scope, ensuring FinComún management's focus on building a successful partnership and business model with Bimbo based on 1-2 basic, easy-to-explain sell and service loan products, which in the end was the Project's core objectives.

Component III was also only partially implemented and only utilized 28% of the original budget. Component III was a long shot, experimental activity from the very beginning, as it was contingent on a change in national legislation allowing microfinance organizations to develop networks of mini-branches/agents ("corresponsales") to accept loan and insurance payments as well as deposits to savings accounts. This component would have been helpful to maximizing the efficiency of FinComún's costs, enabling dramatic expansion of product/service offerings to a much larger population through local community bodegas as agents/branches. However, given the Project's considerable scope and complexity, this component should have been developed as a separate project once the core model and operating structure between FinComún and Bimbo had been developed, streamlined and perfected. Regardless, to date, the Mexican government has not passed the required legislation to enable microfinance organizations to develop corresponsales networks and it is unclear when/if they will pass any such legislation in the near future.

Component IV was not implemented at all as it contemplated promoting the model developed under the Project and sharing best practices and lessons learned with other corporations, microfinance organizations and NGOs throughout Mexico and Latin America. FinComún used 0% of the allocated budget for this component.

III. LONG-TERM IMPACT

As indicated above, on a component by component basis, the Project failed to achieve many of its original goals. Nonetheless, the Project has led to significant, lasting impacts for FinComún, Bimbo and the tenderos. Therefore, analyzing the Project strictly based on achievement of its General and Specific Objectives, results in a much more positive outlook on the Project's performance.

General Objective: *To help develop and deepen the microfinance market in Mexico.*

Specific Objective: *To develop & implement a new business model for the provision of microfinance services to shop owners through a business partnership between a large company and a microfinance institution.*

While the project did not result in a scalable/replicable model for providing microfinance products to the value chains of larger corporations, it did result in considerable experience and lessons learned for both FinComún and Bimbo, in particular related to the challenges of partnerships between development organizations/cooperatives (such as FinComún) and multi-national corporations. Both Bimbo and FinComún have learned from their experience during the Project and have/ are adapting their models of service provision to tenderos to continue to grow and scale their respective programs (lessons learned discussed in detail in the Lessons Learned Section).

For example, as a result of this Project, Bimbo has created a separate, independent group, the Strategic Services Group, that is dedicated to developing and improving the value-added services that Bimbo provides to its tendero network. It is adjusting the model for microfinance product provision piloted via this Project to scale and implement with multiple microfinance institutions.

Each of the long-term impacts detailed below illustrate the Project's results as related to its General and Specific Objectives.

Long-Term Impacts for FinComún

"FinComún had the most to gain from the Project, and will in the end probably benefit the least."

-Guillermo Aguilar, MIF Specialist, Mexico

The complexity and scope of the Project was simply beyond the organization's institutional capacity to manage effectively. As a result, they fell short of developing a replicable model for

providing microfinance products to the supply/distribution chains of large corporations. Nonetheless, the Project did result in a number of substantial, long-term benefits for FinComún.

Perhaps the most illustrative indicator of the Project's success and long-term impact is the fact that a minimum of 10% of new FinComún customers acquired from the Bimbo project are still customers with the majority having increased their average loan amounts. This however only reflects the number of tendero clients that initiated loans with FinComún via the Bimbo project who are still clients of the same micro-loan product line and **does not** include current FinComún clients who began as clients via the Bimbo based loans and have since migrated to one or multiple additional FinComún product lines, mostly the Credito Productivo micro-credit product. FinComún does not track that data.

Further, the relationship between Bimbo and FinComún has continued to deepen following the Project. FinComún has begun to provide micro-finance products/services to Bimbo employees, 11,000, or approximately 10% of Grupo Bimbo's total employees, to date, and has even in some cases placed representatives/ agents in Bimbo distribution centers to better serve its new Bimbo employee clients. For FinComún, this represents a much less complex, more manageable model of service provision and new business development.

As part of Component III, FinComún worked with an outside advisor to develop a model for launching a network of corresponsales (mini-branches) that is ready to be implemented once the necessary national legislation is approved. Based on interviews with FinComún management and staff, this plan and the work done as part of the Project should enable the organization to enter this new and sizable market ahead of its competition and establish a solid market presence as soon as the right legal environment exists.

Beyond the direct, tangible results of the Project, FinComún's staff and management team also gained considerable experience and learned valuable lessons, in particular related to the challenges and requirements of working with large corporations and scaling up operations in a controlled, sustainable manner. (Specific lessons learned are discussed in detail in the Lessons Learned section).

Long-Term Impacts for Bimbo

To date, Bimbo has been particularly adept at making the most out of the Project and the lessons learned during its implementation. As mentioned, the company has now created a new independent group, the Strategic Services Group, specifically dedicated to developing value-added services for Bimbo's tendero network. The development of a dedicated group signals Bimbo's continued focus on its tendero network as this work was previously done via the Small

Store Based Sales Group, who's main focus and objective is to drive direct sales. However, it is yet to be determined whether the new group's creation will strengthen Bimbo's tendero service programs by providing increased focus and higher level buy-in, or weaken them because they have been removed from a profit center that is directly linked to Bimbo's core business and instead placed in a loss center may be considered more of a CSR, less core business unit.

Bimbo continues to see real value for their tendero's and the Bimbo brand in offering microfinance products and services to its network of over 800,000 small store owners throughout Mexico. The new group is now working with multiple microfinance institutions (in discussions with 4-5) to develop new programs based on the lessons learned from this Project. This more diversified approach will enable Bimbo to provide microfinance products to a much larger percentage of its tendero network, pilot multiple models and approaches for microfinance and micro-insurance products, and reduce organization specific challenges that may impact results. Further, it will enable them to accumulate best practices from various models and select the top performing microfinance institution to later build out and implement a well-tested, honed and scalable model. It will also likely build on the databases and credit evaluation methodology developed by FinComún via the Project. The database analysis developed via the Project proved to be highly useful for FinComún in terms of quickly and efficiently evaluating the credit worthiness of potential customers within the Bimbo tendero network.

The new group within Bimbo has partnered with Blue Label Mexico, a leading Mexican technology company, to develop a new, in store payment product called "Qiubo". Qiubo will enable store owners to offer multiple payment services, utilities, phone recharges, loan payments, to their community members for a small fee. The design for Qiubo is based in part on the technology developed and piloted via the "Pay in my business" component of the Project and uses a version 4.0 (much more advanced) of the handheld POS devices used by Bimbo drivers to process FinComún loans payments. This new technology based service will enable tenderos to increase their income, drive additional traffic to their stores leading to increased sales of Bimbo and other products, and will help the tenderos better compete with the large grocery and convenience store chains (such as Oxxo and Wal-mart to whom Bimbo sells products as well) which already offer similar in store payment services. Bimbo's ties and commitment to its tendero network stem from the corporation's organizational culture and its long history built on its tenderos.

Further, while there may have been some service issues with FinComún's products/services, most of the tenderos interviewed as part of the evaluation did see the program as very positive

and helpful, and valued the value-added service that Bimbo was working to develop and continually innovate.

Long-Term Impact for Tenderos

While the Project's main objectives were focused on developing a scalable/replicable model for microfinance service provision in conjunction with large corporations, the projects true, direct beneficiaries were the over 28,201 tenderos that gained access to microcredit and micro-insurance products as a result of the Project and the relationship between Bimbo and FinComún. As previously mentioned a minimum of 10% of the tenderos that obtained financing with FinComún via the Project are still FinComún clients.

The tenderos interviewed during the evaluation overwhelmingly indicated that the FinComún/Bimbo program was incredibly valuable and helpful for them. While most already had used some variety of micro-credit product in the past (especially credit for domestic electronics from Banco Azteca, the microfinance arm of the electronics chain Elektra), many had not used micro-credit products to invest in and growth their businesses. Tenderos interviewed used their FinComún loans to expand their stores, acquire additional equipment such as refrigerators and freezers (which enabled them to offer new, higher margin products including meats and dairy), and help with working capital and cash flow shortfalls throughout the year.

All of the tenderos interviewed indicated that they especially liked and appreciated the "Pay in my business" service. It reduced travel costs to and from the nearest FinComún or other microfinance branch by between 28 pesos and 70 pesos and saved between 30 minutes and 1.5 hours of time during which they would otherwise have had to close their stores. Most indicated that they did have at least 1 incidence of "system glitches", where their payment via Bimbo drivers/handhelds wasn't processed in a timely manner, or at all, and that FinComún either took a long time or never resolved the issue. As a result many incurred additional late fees, or double paid on several occasions. This had a slight negative impact on the perception of FinComún services, but virtually all of the tenderos found the service so convenient, valuable and helpful that they were urging Bimbo to re-implement the program. As a result, Bimbo is considering incorporating these services into their new Qiubo system, which is a much more advanced version 4.0 of the POS handheld devices and the Pay in my business".

IV. PROJECT ISSUES & CHALLENGES

The following section outlines the specific issues and challenges that led to the Project's "unsatisfactory" implementation and suspension. Generally the challenges can be broken into 3 principal categories:

i) Issues Derived from Project's Original Design and Conceptualization
ii) Inadequate Project Management Structure and Institutional Capacity
iii) Misaligned Incentive Structures

i) Issues Derived from Project's Original Design and Conceptualization

As previously mentioned, at its core, the Project and its objectives were sound and made a great deal of sense conceptually. However, a number of the Project's biggest challenges stem directly from issues with the Project's design and conceptualization on a micro-level. These design issues include:

- Overly complex project design
- Bimbo's involvement in the Project's design and implementation
- Over dependence on Bimbo's Drivers and Other Employees
- Lack of necessary legislation permitting corresponsales networks

Overly Complex Project Design - Many of the issues and challenges that the FinComún/Bimbo Project encountered were directly related to the Project's original design and conceptualization. First and foremost, the Project was far too complex and packed with too many non-core, additional ("kitchen sink") components. The Project's main focus and core-objective was to develop a model for incorporating microfinance products into the supply and distribution channels of large, multinational corporations. This alone is a formidable and lofty objective requiring 100% of the focus and attention of FinComún and the Project management/ implementation team. All activities built into the Project that do not directly contribute to accomplishing this goal only serve to distract the project team and needlessly complicate the Project, its implementation and target users.

For example, Components II and III, which contemplated developing multiple additional microfinance and insurance products (Component II), and building out a highly experimental network of tendero based mini-branches, corresponsales, (Component III), added several layers of complexity to the project, set unrealistic goals and expectations for project outcomes and ultimately overloaded and distracted FinComún and Project management from developing a successful, efficient and highly tuned model for providing microfinance products/ services to Bimbo's tendero network (i.e. building a strong model that can be replicated with other MNCs). Without these components, the Project would have been simplified considerably, ensuring that as much of the Project resources and time as possible were focused on successfully achieving the core objective. The additional components could and should have instead been added in

via a follow-on project that built upon the base model developed through this Project. Based on interviews with the MIF staff that was part of the Project design team and FinComún, Components II and III, while not part of the core focus of the Project, were added in for a few reasons. First and foremost, their inclusion had a great deal to do with the project approval process and realities within the MIF. The project development team felt that if they did not include multiple "lofty" goals and objectives, each one seeking to have ground breaking impact and massive scope, that the project would not have been approved by the MIF approval committee. In hind sight, the additional, non-core goals and objectives most likely contributed a great deal to the Project's failure to achieve its overall objective, developing a model to provide microfinance products and services to Bimbo's network of tenderos. Further, they indicated that the mechanisms for developing and approving projects required that they have the full project developed, including Components and activities in order to obtain initial/preliminary, "green light", approval. Further, from discussions with both FinComún and the MIF design team, FinComún was most likely a bit too opportunistic and wanted to stretch the value they gained from the MIF funded project. They saw the Project as a cash infusion and a "free" opportunity to rapidly build out multiple business objectives and were not required to evaluate the investment and its ability to generate real returns and develop sustainable business models the same way they would have if it were a loan that they had to repay or an equity investment. This is a challenge/ issue that the MIF should be cognizant of going forward as it is likely to happen on multiple projects.

This should not be interpreted as saying that the Project's budget should have been reduced considerably. Based on multiple comments from Bimbo drivers and tenderos during interviews conducted as part of the interim and final evaluations, many of the Project's challenges resulted from FinComún's inability to manage its growth effectively and efficiently and provide the level of quality and customer service that Bimbo required. Much of the budget for Components II and III could have instead been allocated to ensuring that FinComún had more than adequate resources to ensure the success of Component I. This includes a considerable increase in the number of FinComún agents servicing the Bimbo network (at least initially during phase I), a much larger project team, and a significantly larger in-store field presence, even if the model was not initially as efficient or profitable as it could and should be. Maintaining the budget while reducing the focus and scope of the project would have enabled FinComún to better allocate its resources and cover operating inefficiencies while they worked to hone in and improve the model over time. It would have been better to have over invested in building out the service model, over staffing the distribution centers and over selling/servicing new and potential tendero customers initially via Component I. Later, as part of Component II the Project could have sought to improve the cost structure, efficiency and profitability, but only after the model was developed and FinComún had achieved a high level of customer penetration, satisfaction and retention. Instead, it seemed that FinComún pursued a program

roll out strategy that focused on minimizing costs and reaching profitability in the short-term, a valid approach for a project being implemented by a profit seeking business with limited resources; however perhaps not the most effective use of MIF project funding. Businesses with sufficient capital are able to pursue new long-term, business development strategies and sacrifice short-term profit for much larger long-term returns. If the Project had been designed with this long-term strategy in mind, FinComún could have used the Project funding to roll out its new program and cover initial operating losses for the first 3-4 years of the program while they focused on penetrating Bimbo's tendero network and providing its new and potential tendero clients with the highest quality customer service possible.

Bimbo's Involvement in Project Design and Implementation – Based on information gathered from the project design team, FinComún, Bimbo and the mid-project evaluation, as it was not the "Implementing Organization", Bimbo was not involved in the Project's design and conceptualization in a meaningful way. As the Project's success was **highly** dependent on Bimbo, and given that multiple levels within the company's operations were integrally involved in the Project's roll out and execution, their omission during the initial development of the Project significantly contributed to Project challenges during implementation. Ideally, representatives from Bimbo's management and each of its operating units involved/impacted by the Project would have participated in multiple project design meetings and working groups with FinComún and MIF teams. This would have enabled them to provide experience-based, grounded input into how the Project's design would and should be operationalized. It would have also enabled the Project team to better trouble shoot the project and anticipate many of the challenges, such as over dependence on Bimbo drivers (explained in detail below), that the Project encountered. It would have also resulted in alternative strategies to minimize or mitigate those risks. This was not as much the result of a lack of communication between the parties, but rather the lack of communication was the result of a general, more broad oversight to include and actively engage Bimbo (and more importantly, the most relevant areas within Bimbo) in the project's design and development.

Further, Bimbo was not included on the Project's contract in any way (i.e. Bimbo did not sign any agreement or contract with the MIF). As such, the MIF had no official relationship with Bimbo related to the Project, and more importantly, Bimbo had no real obligations or responsibility to ensure its successful implementation. Including Bimbo in the contract in a meaningful way, i.e. as the Co-, or even primary, "Implementing Organization" would have changed the dynamic of the implementing organizations with the MIF and reduced pressure on FinComún. This likely would have increased Bimbo's engagement in the project's design and development.

Further including penalties for the Project's unsuccessful implementation and completion, i.e. requiring the implementing organizations to return 100% of the funds used if they did not meet some minimum, negotiated level of success would have forced both organizations to think through the implications of the Project's conceptualization, design, and implementation with more rigor. Even if the sum to be returned/penalized was minimal for a large corporation like Bimbo, such a performance-based incentive structure would have aligned all relevant parties with the objective of project success.

Several of the MIF team members interviewed indicated that "the relationship was with FinComún, not Bimbo" and that "Bimbo would not have accepted the Project's terms anyway". This sentiment likely reflects the perception that MIF projects of the size and scope of this Project are small and relatively insignificant initiatives as compared to the budgets, projects and initiatives that large corporations work with on a regular basis. It may also reflect the sentiment that the project was not sufficiently aligned with Bimbo's core business and as such would not have had the necessary buy-in if they were made the responsible party or if penalties were included. However, Bimbo's management and Project team representative indicated that they would have been amenable to participating in the project development from the beginning and in serving as implementing or co-implementing organization for the Project.

***Overdependence on Bimbo Drivers and Employees* –** While it was unofficially changed by FinComún/Bimbo during Project Implementation, the Project's original design placed a great deal of dependence on the Bimbo drivers and other Bimbo staff members. This included the responsibilities of promoting the program to the tenderos they serviced, educating the tenderos on the various types of microfinance products FinComún was offering, actually initiating loan product sales, and servicing loan and insurance payments.

Truck drivers have **very** different job and personality profiles from that of microfinance loan officers or sales representatives. As it was contemplated, the Project added a considerable amount of additional work and responsibilities that was beyond the scope of their position and skill sets to the drivers' already overloaded work day. On a typical day, Bimbo drivers begin at approximately 6 a.m., when they arrive at the Bimbo distribution centers to review their trucks, the merchandise they have to deliver that day, attend any staff meetings, etc. They begin their routes at approximately 7 a.m. and service an average of 60 tenderos per day before returning to the distribution center at around 4 p.m. or 5 p.m. to turn in their trucks and wait in lines (of up to an hour) to process the payments, orders, etc. that they collected during the day. Given this workload, drivers spend on average 7-10 minutes in each store making their regular Bimbo deliveries, processing payments for Bimbo products, selling Bimbo products and taking/processing product orders. Increasing the amount of time they spend in each store by even 3 minutes to promote and service FinComún products would increase their daily workload

by 3 hours, or force them to reduce the number of stores they visit per day by approximately 25%. Beyond not being part of their job responsibilities, the additional work had a negative impact on their job performance and their work unit's/department's overall efficiency rate. Further, the MN$2.5 bonus that the drivers received for each loan payment processed was not enough compared to the additional workload, responsibilities, and negative impact on performance/efficiency rates to motivate most drivers in a meaningful way .

The project should have instead increased the initial budget for Component I, providing FinComún with the financing necessary to build out a network of agents to do direct sales and loan servicing in tendero stores. Doubling or tripling the number of FinComún agents deployed to educate the tenderos, sell them new FinComún services, and provide very high-level customer service, at least during the first 2-3 years of the program's roll out would have helped FinComún better penetrate the Bimbo tendero network, generate considerably higher revenues from the program and deliver the level and quality of service that Bimbo was looking for. This strategy would not have been profitable in the short-term (the first 3-4 years), however Project funding could have been used to cover short-term losses during the first several years and ensure the right level of service and execution necessary for the program's long-term success. The obvious challenge with this type of FinComún based model, as opposed to the Bimbo based model, is efficiency rate and profitability on a loan-by-loan basis for FinComún. However, the Bimbo-based model did not dramatically reduce those costs or improve efficiency. It only re-distributed those costs onto Bimbo (as opposed to FinComún), and as a result created a disincentive throughout Bimbo's staff hierarchy from drivers, to distribution center managers, to shareholders and ultimately contributed to the Project's implementation issues. Further, selling micro-finance products is not part of Bimbo's core business, and is not the role that Bimbo drivers where hired or trained to do.

***Corresponsales Legislation* –** Component III was an experimental component that intended to develop a network of "mini-branches" based in the stores of select, leading tenderos, thereby converting them into FinComún agents for their communities. The concept could have proven to be a highly effective, low cost model for expanding FinComún services to additional communities without the need to establish full branches with loan representatives. The component would have increased the complexity of the Project considerably; however, it would have been an interesting and highly worthwhile project to have been implemented by FinComún, or another microfinance institution, independently from the current Project.

Regardless, the component was contingent on a change in legislation from the Mexican central government, which never occurred, and as such, FinComún never implemented the majority of the activities contemplated under component III.

ii) Inadequate Project Management Structure and Institutional Capacity

Many of the challenges that contributed to the Project's failure to meet its original goals and indicators were directly related to issues resulting from:

- An inadequate project management and implementation structure (Comité Asesor)
- A lack of organizational capacity within FinComún
- Insufficient promotion of Project within Bimbo (Internal Branding)

Inadequate Project Management and Implementation Structure – Activity I.3 of Component I called for "FinComún, with Grupo Bimbo support" to establish "an operating and supervision structure commensurate with the operation" and that the "functions and duties for each position involved in the model be established for both companies". The "Comité Asesor" was established via a working agreement, "el Convenio de Colaboracion", between FinComún and Bimbo prior to MIF funding. The agreement formalized Bimbo's participation in the Project (there was no contract or agreement signed between Bimbo and the MIF) and laid out a general framework for the roles and responsibilities of each organization. However, it lacked the necessary level of detail related to the Project's implementation, such as the departments and personnel at either organization assigned to be part of the project team, or a detailed work plan and schedule for project implementation.

The Comité Asesor was created under the agreement between Bimbo and FinComún to manage the Project, develop the project implementation plan, and oversee the Project's execution and administration. It was comprised of senior executives from within both FinComún and Bimbo, including Adolfo Pérez Salgado, Divisional de Proyectos in the Dirección de Ventas Canal Detalle (Bimbo's chief representative on the Project), and initially Juan Ahedo Rozada, Director of New Products, who was later replaced by Martín Zubieta, Comercial Director in 2006 as FinComún's primary project coordinator. While the Project did have strong moral commitment from the senior management of both companies, the established Comité lacked representatives from within Bimbo's operational hierarchy who could have added valuable insight during the Project's design, planning and implementation. In particular, adding an additional layer of operational staff to the project team would have helped anticipate how the proposed activities would have played out at each level of Bimbo's operating structure once operationalized (i.e. how the project would have been received and implemented by the drivers, their direct supervisors, the Director of Sales, etc.). While this could have also been solved by conducting in-depth interviews, focus groups and design workshops with the teams implicated in the Project's roll out, actually including them in the Project's design and implementation team would have added an additional level of commitment, responsibility and accountability.

Further, in actuality, the Comité only met once a quarter, served more as an administrative and oversight body than an implementing/ working group, and lacked the weight and authority within Bimbo necessary to be effective. For example, Bimbo's Head of Sales (Director de Ventas de Canal Detalle) was not part of the Comité, nor was a number of other key middle management within Bimbo. This lack of involvement and engagement of the relevant operational teams within Bimbo seems to be the result of basic oversight, i.e. not knowing what they didn't know, related to the organizational culture and operations management within Bimbo on the part of FinComún and the MIF design teams. To avoid similar challenges in the future, MIF teams designing or approving similar projects with large corporations should ensure that there is sufficient input, engagement, and buy-in from every operational unit within the corporation that will play a crucial part in the Project's implementation.

The structure of the Comité Asesor and the lack of participation from employees from each area within Bimbo's operations implicated in the Project was perhaps the most critical factor that contributed to the challenges the Project faced during implementation. One solution might have been to have established 2 different committees. One, the Comité Asesor, would be made up of various levels of management from within both companies, and charged with project management, oversight, and administration (much like the Comité Asesor that was created). The second (which was not created), would be a dedicated, fulltime working group, made up of a mix of Bimbo and FinComún middle management and ground level staff from each area implicated in the Project, and charged with the day to day implementation and management of the project. The working group should have been made up of high performing employees from within both companies, and should have specifically tied the team's compensation to results and successful implementation of the Project (i.e. the development of a functional, efficient, profitable and scalable model for providing microfinance products to Bimbo's tendero network). The working group should have been staffed together and worked out of the same offices as one team. Further, having a dedicated working group would have allowed for regular meetings with all of the areas/departments and distribution centers involved in the Project to trouble shoot any problems, make any necessary adjustments, answer any questions and perhaps most importantly, maintain a continual and visible on-the-ground presence and interaction with the drivers, FinComún field agents and local distribution center management. This is analogous to how major corporations roll out and develop new product lines, programs and initiatives. Rather than creating a more bureaucratic structure, it may have actually reduced bureaucracy by specifically assigning responsibility and accountability to one joint FinComún/Bimbo team in charge of operationalizing the project, rather than simply a high level committee (made up of mostly senior management that would not be dramatically impacted if the project didn't work) in charge of its general oversight.

FinComún Organizational Capacity - The Project represented an increase of approximately 70% for FinComún's total micro-credit portfolio with an expansion to 40,000 new customers (from a total of 57,000 in 2007) via a partnership with the World's largest baked goods company. This rapid growth acceleration is, well beyond the industry average for 2007 of 33%, was on top of the exponential growth that FinComun experienced in 2006 and 2007 with a 55% increase in its total credit portfolio from MXN$292.8 million in 2006 to MXN$455 million in 2007, and a 35% growth in total clients from 42,000 in 2006 to 57,000 in 2007.

Beyond the scope of growth contemplated, the Project also included the development and launch of several new loan and insurance products and the roll out of a mini-branch network of corresponsales, which as previously mentioned, added considerable additional complexity and work load, further overburdening FinComún's management. Simply put, FinComún didn't have the institutional capacity required to scale up and grow as quickly as the Project and Bimbo required, and as such, faced numerous challenges resulting from institutional growing pains that were further compounded by the Project's many complex components and the inadequate Project management structure.

These capacity issues had a negative impact on the Project's overall management, the promotion and perception of the Project within Bimbo, and FinComún's ability to sell and service micro-credit and micro-insurance products to Bimbo's tenderos effectively. Interviews with tenderos and Bimbo drivers during the mid and final project evaluations revealed a number of issues related to customer service including a lack of in-store presence to sell and support products, slow response to customer and potential customer inquiries, and numerous errors with payment processing via the POS handheld "Pay in my business" program. In several cases these errors resulted in double payments and penalty fees which were never resolved or refunded to the tenderos. Instead of improving and strengthening ties with tenderos, many drivers indicated that they felt these customer service issues had a negative impact on relationships between them and their customers. Despite this negative feedback, it is however important to note that not all of the feedback was negative. A number of the drivers and tenderos interviewed (most of those interviewed during the final evaluation) indicated that the program did have a positive impact and strengthened relationships with tenderos. The tenderos interviewed valued the products and services being developed as part of the project and recognized that Bimbo was working to help them improve their businesses.

It is also important to note that many of the Project's management challenges were likely linked to the steep learning curve that both organizations faced regarding understanding and effectively working within two very different organizational cultures, operating structures, hierarchies and realities of day to day operations. Similar challenges in team integration and organizational cultural and operational symmetry are commonly experienced with corporate

mergers, joint ventures and other similar joint projects. This cultural and operational learning curve is even steeper when one organization is a development organization or NGO and the other is a global corporation. As such, it may be helpful for future projects to include specific component activities focused on organizational and cultural integration. One solution could also be to hire consultants with expertise in building projects that integrate large corporations, NGOs and base of the pyramid organizations. An organization that understands the realities and challenges of each may be able to help bridge the gap and think through eventualities and challenges that may result from the very different operating styles. Doing this up front during the initial project design and planning could result in substantial time savings and money, in addition to greater project impact.

Insufficient Internal Branding to Promote the Project within Bimbo – According to many of the interviews conducted during the mid-project and final evaluations, there was little internal branding done by FinComún or Bimbo to promote the new micro-finance program within Bimbo. When working with large corporations, effective internal promotional campaigns are extremely important for building organizational awareness and interest in new programs, and for demonstrating broad support for the program from within the corporate management structure. Within Bimbo, this could have been done via emails, flyers, banners, etc. with high visibility for the entire corporation, or at least by the business units that stood to benefit from the program. Further, special desks and full FinComún kiosks could have been designed and set up in each distribution center participating in the project to build excitement, create an air of innovation and demonstrate that the program was a serious, priority objective for management throughout the Bimbo hierarchy. Instead, FinComún agents based in distribution centers were given standard non-descript cubicles or desks that were not distinguished from the other Bimbo desks at the warehouse. Additionally, FinComún branded, or co-branded Bimbo/FinComún, awards/prize programs for top performing Bimbo drivers, managers and other staff (as related to the Project objectives) could have further built broad organizational buy-in, enthusiasm and support for the Project and FinComún generally. The omission of these internal branding programs was likely the result of a lack of knowledge of Bimbo's organizational culture by FinComún, and as such an oversight that could have been easily and relatively inexpensively avoided. This is another example of the typical challenges that can result when development organizations, such as FinComún, work with large corporation.

Beyond proactive activities to promote the Project within Bimbo, there were a number of basic training and project management activities that either were not done or could have been improved significantly. For example, the drivers and distribution center managers interviewed indicated that they did not receive any type of substantive training on the micro-credit/insurance products they were to promote, or the Project, its objectives, goals, and expectations. They did however participate in a basic 30-minute introductory meeting and

training at the outset of the Project that was primarily focused on training the drivers on how to use the new functions of their POS handheld systems linked to the Project (the Pay in my business capabilities and survey functions). The lack of training hindered the drivers' ability to effectively explain and promote the new FinComún program, and sent another unintended signal to Bimbo employees that the Project lacked seriousness, priority and focus within Bimbo. This perception was reinforced through a number of other minor omissions that independently would not have resulted in meaningful issues, but combined served to set a negative tone and perception of the seriousness of the Project. These included a lack of regular meetings and interaction between the project management team and Bimbo drivers and distribution center managers, and the absence of focus on metrics and performance statistics related to the Project for drivers and distribution teams, i.e. a weekly review of loan stats and metrics during driver meetings.

iii) Misaligned Incentive Structures

Ensuring that incentives and interests are aligned from top to bottom is critical for the successful implementation and roll out of any project or program within large corporations. Corporations function from top to bottom based on calculated incentive structures designed to maximize the benefit (most often in the form of profitability) of every single activity, employee, project and program within the corporation. These incentive structures can be as simple as Employee of the Month and other basic employee performance recognition programs. They include promotions and job/career advancement through the corporate hierarchy, bonuses, metrics and goals based performance indicators, etc.

The project failed almost entirely to include positive incentive mechanisms linked to Project related results for Bimbo's drivers, their local distribution center managers, and their entire teams. The drivers were given a MN$2.5 commission per loan payment they processed, the amount was so insignificant (representing an increase on average of less than 1% of their monthly earnings) that it did not provide the drivers with sufficient motivation. Moreover, as previously mentioned, even with the commissions, promoting the new loan and micro-insurance actually added additional time and work to the drivers already full daily agendas and reduced the number of stores that could be visited in a day which had a negative impact on driver performance. For the Project to have successfully incentivized Bimbo drivers to aggressively promote the new FinComún services to the stores they serviced, the drivers' managers had to have the right incentives as well. This includes bonuses and/or commissions linked to their team's overall performance, a competition among distribution centers participating in the project for who performed the best (i.e. which distribution center had the most new loan clients per capita, etc.), and most importantly, specific goals for each distribution center linked to project performance set by the managers' managers (i.e. the Head

of Sales). To do this Bimbo would have had to have real buy-in from every level of its organizational hierarchy and would have had to answer real, challenging questions such as, "Are we willing to do this program even though it will reduce driver efficiency rates?". The failure to develop this level of operational detail in the Project plan and roll out was further indicative of the lack of real insight by FinComun and the Comite regarding what was required to operationalize a project of this nature within a large corporation such as Bimbo. Having considered the incentive mechanisms and potential disincentives, such as reduced driver efficiency, would have also likely provoked a deeper discussion among the parties (FinComún, Bimbo and MIF) around the Project's alignment with Bimbo's core business, which is selling baked goods. In the end, this may have resulted in a dramatically different Project implementation plan that adequately considered the core focus of Bimbo drives and as such reduced the Project's dependence on them, opting instead for an increase in FinComún agents as discussed previously.

V. LESSONS LEARNED & RECOMMENDATIONS

Many of the key issues that arose during the FinComún/Bimbo project were linked to Bimbo's limited involvement in project development and execution. Further, every member of the MIF and FinComún teams interviewed unanimously agreed that several of the Project's challenges could have been avoided or corrected with small modifications to the MIF's project design, management and evaluation processes, i.e. with a more flexible and less onerous/bureaucratic project modification process within MIF. The points below are the key recommendations based on the lessons learned from the FinComún/Bimbo project.

i) Lessons Learned and Recommendations for Partnering with Large Corporations

Corporations Should Be the Implementing Organization - It is highly recommended that future Corporate Solutions to Poverty projects include the corporation itself as the primary or co-Implementing Organization for the Project. As such the corporation should be included in the contract, along with any other organization or project participant that will play a critical role in the project's implementation. The fact that the MIF had no contractual or formal relationship of any kind with Bimbo regarding the Project, meant that Bimbo was not actively engaged in Project design and development and was not responsible for the success or failure of Project implementation.

Ensuring Involvement and Buy-In from ALL Key Organizations – Ensuring that all organizations who will play a key role in the project's implementation are fully engaged and on board, and contractually linked to the project's successful implementation is crucial for a project's success. The MIF should actively engage with and vet the involvement of each of these organizations.

This would also require the MIF to broaden its formal relationships on each project to go beyond only the “Implementing Organization”.

Ensuring Involvement and Buy-In from ALL Critical Actors within Organizations - Additionally, the MIF project development process should ensure that all key actors within each of the key organizations has been involved and incorporated into the Project. This could be accomplished via multiple project design and strategy sessions prior to MIF approval. At least 1 session, if not more, should involve representatives of each of the operating units within each key organization, such as Bimbo drivers, distribution center management, and the Director de Ventas de Canal Detalle. Additionally, the sessions should go beyond basic project design, to lay out specific rolls and responsibilities for each key organization and key actor and include a 360 project risks analysis that would trouble shoot potential eventualities and challenges that may arise during implementation from the perspectives of all parties involved.

Incorporating Penalties for Unsatisfactory Projects - The MIF may also want to consider including penalties for unsuccessful projects, such as repayment of the full amounted funded by the MIF for the project. Having real skin in the game should cause the implementing organizations to more carefully consider every project component and activity. It may also help ensure that the implementing organizations involve and incorporate the right actors within their organizations, such as representatives from each of Bimbo’s operational areas implicated in the FinComún project, in project development and ensure the appropriate level of buy-in to specific responsibilities and deliverables of each.

Two Committee Project Implementation Structure - The FinComún/Bimbo project only had one implementation body, the Comité Asesor, which was more of a management, administrative and oversight committee, than an implementation and operationalization working group. This was a significant factor that contributed to many of the Project’s challenges during implementation. All projects that entail considerable joint collaboration from two or more organizations during implementation, and especially project’s involving large corporations, should require that two committees/working groups be created. The first, the Management Committee, should serve as a management, administrative and oversight body and incorporate appropriate senior management from all critical implementing organizations. This Management Committee would meet occasionally, but at least once a quarter, to review project results and achievements to date, and provide guidance and strategy, and would not require meaningful increase to project costs. The second should be a 2nd tier working group, The Implementation Working Group, comprised of representatives from each of the departments and working units within the implementing organizations implicated in the project (i.e. the Bimbo drivers, distribution center managers, FinComún agents, etc.). The Implementation Working Group should be responsible and accountable to the Management

Committee for the day to day management of the project's roll out and implementation. It should also include performance based compensation mechanisms for each of its members linked to the achievement of the projects goals, and would answer/report directly to the project Management Committee. This mirrors the project development structure that many corporations use to develop and manage the roll out of new products, initiatives and programs that require the active involvement from multiple departments within the corporation. While this 2 tiered structure may increase the project costs slightly, the costs are highly justifiable as the structure will dramatically increase the likelihood of successful project implementation and reduce the risk that the project will be unsatisfactorily implemented considerably.

Properly Aligned Incentive Structures – During project design and approval, the MIF should ensure that the contemplated project adequately aligns incentives for all organizations involved, such as Bimbo and FinComún, as well as all key actors within these organizations, such as Bimbo drivers and distribution center and sales group managers. For every project the MIF project evaluators should ask, "Will the project result in real, tangible benefits for all actor? Specifically, will it increase revenues or reduce costs for each in the short-term or long-term (either directly or indirectly)? And how exactly will it do this?" These questions should be explicitly and clearly answered in each project proposal to ensure that the project has the appropriate level of buy-in and weight. Further, each project team should answer exactly how they intend to make project performance a priority within each department or area implicated in the project through performance based metrics and compensation; for example, tying bonus structures, career advancement opportunities, basic salaries, etc. to specific results and project success. If the project proposal does not contemplate these critical questions, there is a high degree of likelihood that the project will encounter challenges,, similar to those in the FinComún/Bimbo project, during implementation as conflicts are created between day to day operational performance metrics and project results.

Accounting for Differences in Organizational Culture and Operations – Large corporations operate very differently from small companies. The differences are even more stark between large corporations and development organization. Understanding and accounting for these differences in organizational culture, corporate management hierarchy and operating process/ styles is critical for the success of projects that require significant collaboration between large corporations and development organizations, such as FinComún, cooperatives, or small holder associations. MIF projects that seek collaboration between corporations and development organizations/cooperatives should pay explicitly address and develop strategies for bridging the cultural and operational divide that exists between these very diverse actors. That is not to say that these types of projects cannot be successful, however, both actors have to be very realistic about their organizational capabilities and about how their organizational hierarchy functions.
For example, even though the FinComún/Bimbo project had buy-in from senior executives at

both organizations, FinComún didn't have the institutional capacity required to scale up and grow as rapidly the project called for. This led to customer service and quality issues during project implementation. Further, as described previously in the Project Issues and Challenges Section, the Project lacked a nuanced understanding of what is required to generate "buzz", interest and buy-in from all levels of the Bimbo organizational hierarchy. The operating structures and organizational culture at a small development organization, such as FinComún, is very different from that of a large corporation with a well established culture, hierarchy and very clear and delineated roles and responsibilities for each cog in its system.

These potential challenges may also be further mitigated by leveraging the knowledge of expert outside consultants who have expertise in working with both large corporations and development organizations and can serve as a bridge between the two **very** different operating structures and organizational cultures during project design and even implementation. Similarly, large corporations regularly engage expert consultants to help merge organizational cultures and operating styles following corporate mergers. In these situations, external consultants are able to objectively analyze each organization, identify how each organizations' internal incentive mechanisms function, how their distinct organizational cultures may work together or clash, and trouble shoot potential issues and challenges that may arise as a result of organizational misalignments, corporate hierarchy, etc. Being aware of these differences and addressing them during the design and initial implementation phases of a project will dramatically improve results and limit culture based externalities that may negatively impact the projects implementation.

ii) Recommendations for MIF's Project Design, Implementation and Evaluation

Simplify Project Design and Components **-** As previously mentioned, MIF projects often incorporate many non-core components that add additional complexity, increase costs and lead to implementation challenges as well as distracts project implementation and management. With the FinComún/Bimbo project, Components II and III included the development of new micro-credit and insurance products, and the build out of a corresponsales network. These important, however, non-core components served to complicate the project, dramatically increased its scope and distracted FinComún from focusing on developing a scalable model for deploying microfinance products via corporate channels. Given the considerable challenges involved in working with large corporations, and even more so the integration of development organizations, such as FinComún, and large corporation, future Corporate Solutions to Poverty projects should seek to keep the project design and component as simple as possible and only incorporate activities that are directly related to the success of the Project's core objectives.

Flexible Project Indicators and Mid-Term Evaluation Process – The MIF's projects, such as Corporate Solutions to Poverty, are generally innovative and cutting edge. This increases the risk of project failure as measured by the initial project indicators. However, as was the case with the FinComún/Bimbo project, a project that is not on target with its original plan (component activities and indicators) is not necessarily a failure. These innovative, cutting edge initiatives require significantly more flexibility as the implementing organizations work to adapt and adjust the project around what works and lessons learned in real time, during project implementation. These lessons learned should later serve to make adjustments to the project's original structure, including the logic matrix and indicators during a dramatically different mid-project evaluation process. If the real goal is achieving the project's overall objectives, i.e. to develop and implement a new business model for the provision of micro-finance products via large corporations as in the FinComún/Bimbo project, the mid-term evaluation should serve as an opportunity for all parties involved in the project's design and management, including the MIF design and management teams, to openly discuss what works and what does. The MIF should provide the implementing organizations and MIF project develop teams the flexibility they require to make real time adjustments to the project during the mid-term evaluation period. This will often likely entail significant project restructuring, the elimination of entire project components and the adjustment of project indicators, as well as a readjustment and realignment of the project's remaining budget. Based on interviews with MIF staff, for this process to be successful, it would have to be as simple and un-bureaucratic as possible (i.e. not requiring additional committee approval) and automatically included and allowed for as a standard part of project development and management. This relatively minor procedural adaptation to the MIF project development and management structure could have a dramatic impact in overall project performance and the real reduction of poverty the results.

Alternative Models for Corporate Solutions to Poverty Project Development – As the MIF continues to expand its Corporate Solutions to Poverty initiative, there are several alternative models that it may want to consider employing for project development and sourcing. All of the following alternatives are based on the corporation being the primary or co-Implementing Organization.

- *Projects with 1 Corporation and Multiple Development Organizations/Cooperatives* - This alternative contemplates the MIF developing a project, or more practically, looking for and promoting the development of projects, based on one large corporation, such as Bimbo, that will work with multiple development organizations, such as FinComún, (or cooperatives) to design and pilot multiple similar strategies all aimed at achieving the same primary objectives. This strategy will help reduce organization specific factors that may hinder a project's successful implementation. It will also enable the project to be piloted using multiple different strategies and then select the best performing organizations to scale the project up incorporating best practices and lessons learned from across all of the pilots.

- *Regular Coporate Solutions to Poverty Calls for Collaborative Proposals* – The MIF may also want to consider establishing guidelines and objectives aimed at addressing certain development goals and request joint proposals that entail collaborations between corporations and development organizations/cooperatives. This would allow the MIF to review and evaluate multiple approaches to solving the same problems and select the best 2-4 proposals for initial pilot implementation. Later, the MIF would select the highest performing project teams to scale the project incorporating best practices and lessons learned from all of the projects that were initially funded.
- ***Leveraging External Experts -*** Given the size and importance of Corporate Solutions to Poverty projects, the MIF may want to consider engaging external consultants during the design phase of the project. This could help anticipate potential challenges during implementation resulting from projects that involve large corporations and development organizations or cooperatives. For example consultants with specific expertise in applicable technology, or in developing projects that incorporate large corporations, development organizations (such as FinComún) and/or base of the pyramid communities/organizations (such as cooperatives) to help ensure incentive structures, operating models and cultures are aligned within all organization. Large corporations regularly engage external experts, like consulting firms such as McKinsey, BCG and Bain, to consult on strategy and program development, aligning organizational cultures, etc. In this respect, the development sector in general could learn from the long-standing best practices of the business sector.

iii) MIF Projects Involving Technology Components

Technology Expertise - While many development innovations and opportunities arise from the use of mobile, internet based or other technology solutions, technology is a fast moving and constantly evolving sector, which makes projects that involve the integration of obsolete, excessively complicated, or disconnected technology a high risk investment for the MIF. For future projects that incorporate technology as a core component, the MIF may want to consider hiring specialists or third party technology consultants during the project's initial design and approval phases who are familiar with cutting edge innovation and trends in the mobile tech or internet technology sectors as well as models that have been successful in developing markets. For example, a technology expert could have rather quickly reviewed the POS hand-held systems used by Bimbo and the databases used by both FinComún and Bimbo and provided feedback to MIF before the Project's approval that could have saved considerable time, effort and costs. This is a strategy employed by traditional venture capital investors as a standard part of due diligence on potential technology investments.

Further, if MIF sees a greater opportunity in tech-based projects, or projects with significant technology components, it should consider developing a specialized internal group with a staff of 3-4 people who specialize in technology based projects and who can advise other groups within the MIF on technology based components of other projects. This is the model used by most investment banks, and venture capital and private equity funds. By focusing on technology solutions for the base of the pyramid, this group would track and study trends- both in the technology platforms and macro or usage trends- that can be applied and perfected for developing markets and will understand which technology based projects are designed based on the best technology systems, platforms and innovation and will not be obsolete before they are even implemented.

Keeping Pace with the Speed of Business - The FinComún/Bimbo project also revealed several key issues that should be addressed in future projects. FinComún spent 3 years developing a technology platform to integrate with Bimbo's existing product, but that was only compatible for several months before Bimbo decided to redevelop and merge technology platforms used across their multiple business units. Further, the product developed was obsolete by the time it was launched. To avoid such issues in the future, technology development must happen at a faster pace and include collaboration with relevant parties who will be using the technology, e.g. the MNC partner or Bimbo. Additionally, all projects that involve technology components being implemented within large corporations should involve the corporations Chief Technology Officer or other representative from the company's technology team in the initial phases of the projects development and implementation.

VI. COMPONENT BY COMPONENT ANALYSIS

The following section clearly illustrates, on a component by component, indicator by indicator basis, the Project was largely unsuccessful, falling short on the vast majority of indicators for each component and activity. Components 1 and 2 were only partially implemented, and Components 3 and 4 were largely not implemented at all. Nonetheless, the project did result in some interesting unanticipated positive impacts. For example, a minimum of 10%, of the tendero store owners are still microcredit clients of FinComún (*only reflects the number of tenderos who still have outstanding Bimbo initiated loan products and does not include tenderos who initiated with the Bimbo products but have since migrated to other FinComún finance and insurance products, which is not tracked by FinComún*). Bimbo is broadening their tendero network service offerings by developing new programs and partnerships to provide microfinance and other value added services, and is now launching a new in store handheld device, Qiubo, that will enable its tenderos to serve as community payment centers for loans,

bills, phone recharges, etc. The new program and device is a direct result of the POS handheld device and the corresponsales programs piloted and developed as part of the Project. Finally, FinComún has deepened its relationship with Bimbo and has now expanded its products/services to Bimbo's drivers and other distribution center employees.

General Objectives & Goals

Objectives	Indicators	Original Budget/ Budget Implemented	Grade (0%-100%)
Goal: To help develop and deepen the microfinance market in Mexico	2 years after project completion: 1. A new business model has been developed to deliver microfinance services through the distribution channels of large corporations, and the model is replicable for other Latin American and Caribbean countries. 2. The model is replicated with at least 1 other large corporation in a different sector.	Total Project: US$2,000,000/US$1,961,700 (98.1%) MIF: US$1,000,000/US$698,001 (69.8%) FinComún: US$1,000,000/US$1,263,699 (126.3%)	1. 70% 2. 0% *However, only 6 months from project completion*
Purpose: To develop and implement a new business model for the provision of microfinance services to shop owners through a business partnership between a large company and a microfinance institution	By project completion: 1. A new model to distribute microfinance services is in place, having been successfully tested through the Grupo Bimbo retail channels. 2. FinComún accelerates its growth, geographic coverage and product supply in a competitive and sustainable manner. The business partnership with Grupo Bimbo accounts for 12.5% of the microfinance institution's average annual growth. 3. The number of shop owners with insurance increases by 50% (new culture of prevention).		1. 65% 2. 50% 3. 0%

General Findings & Comments:

While more broadly speaking, the Project did help to develop the microfinance market in Mexico, and to date has helped both Bimbo and FinComún deepen their relationship, albeit in unanticipated ways, the Project fell short of developing a "business model" that can be replicated and applied to other organizations, as of yet. While the relationship and model between Bimbo and FinComún has changed and been adapted as a result of the lessons learned by each organization during the project, 10% of the FinComún tendero clients signed during the project remain FinComún clients today (*only reflects the number of tenderos who still have outstanding Bimbo initiated loan products and does not include tenderos who initiated with the Bimbo products but have since migrated to other FinComún finance and insurance products, which is not tracked by FinComún*). Further, FinComún and Bimbo have begun a new program to provide microfinance products to Bimbo employees (truck drivers, warehouse staff, etc.). 11,055 Bimbo employees are current FinComún clients.

Additionally, Bimbo is expanding its microfinance service offering programs to its network of tenderos. The small store owner services program has been moved from the Sales Department to an independent "Strategic Services" group within Bimbo. This group is developing partnerships based on the FinComún project experience with multiple additional microfinance organizations in Mexico. While the model has not been replicated within other large corporations, it is being replicated with other microfinance organizations within the same large corporation.

There were too many externalities and not enough information from the FinComum/Bimbo Project to develop a replicable/scalable model. Nonetheless, additional work can and should be done following the implementation of the programs with the additional microfinance institutions selected by Bimbo to develop a best practices based model that can be replicated and scaled to other organizations throughout Mexico and Latin America.

Budget: FinComún drew down 69.8% of the total MIF budget and contributed 126% of the total initial project budget to be contributed by FinComún. The majority of FinComún's additional expenditures were invested in the development of an operating system, database and technology platform that was to be integrated with Bimbo's systems and handheld POS systems as part of Component I.

COMPONENT I: OPTIMIZATION AND EXPANSION OF THE PROVISION OF FINANCIAL SERVICES

COMPONENT/ACTIVITIES	INDICATORS	ORIGINAL BUDGET/ BUDGET IMPLEMENTED	GRADE (0%-100%)
Component I: Optimization and expansion of the provision of financial services	18 months into project execution: 1. There are 4,800 new microfinance customers and the disbursed portfolio totals US$3.4 million. By project completion: 2. There are 15,000 new microfinance customers and disbursed portfolio totals US$10.5 million. 3. 10% of the potential market of Grupo Bimbo vendors in the areas of service are regular FinComún customers. 4. The past-due portfolio is less than 6%. 5. There are less than 1/1000 monthly errors in the payments collection process.	Total Project: US$953,000/US$1,348,478 (141.5%) MIF: US$160,000/US$101,384 (63.3%) FinComún: US$793,000/US$1,247,094 (157.3%)	1. NA 2. 90% 3. 65% 4. 100% 5. 50%
Activity I.1: Review and enhance all phases of the loan process	6 months into project execution: 1. The diagnostic assessment and recommendations to improve processes are available. 2. Procedure and operating manuals are up to date. 3. Criteria for the selection of geographic areas are ready. 9 months into project execution:		Activity Completion Score: 75%

	4. A parametric evaluation methodology has been developed. 5. Geographic areas have been identified. By project completion: 6. The risk model is perfected based on experience gained.		
Activity I.2: Develop a model to train FinComún and Grupo Bimbo staff in the optimized processes and new methodology	9 months into project execution: 1. Teaching model is designed, including the training administration system and distance training. 2. Training material is prepared. 18 months into project execution: 3. 16 branch establishments have implemented new model. 4. Trained FinComún Staff: 10 coordinators, 50 advisors, and 10 associates. 5. Grupo Bimbo staff trained in credits and services include: 1,200 salespeople and 70 associates at 16 distribution centers. By project completion: 6. 50 branch establishments have implemented the new model. 7. Trained FinComún staff include: 16 coordinators, 130 advisors and 16 associates. 8. Grupo Bimbo staff trained in credits and services include: 3,200 salespeople and 220 associates at 50 distribution centers.		Activity Completion Score: 10% *Comments: Training models may have been developed, but the Grupo Bimbo staff interviewed did not receive any substantive training at all.*
Activity I.3: Design an operating and supervision structure to scale up the operation	12 months into project execution: 1. FinComún, with Grupo Bimbo support, has designed an operating and supervision structure commensurate with the operation. 2. The functions and duties for each position involved in the model have been established for both companies. 3. The position of financial supervisor has been created to support and guide implementation of the model. 4. The structure of a credit analysis and authorization center has been developed. 5. Grupo Bimbo has provided space in its distribution centers for FinComún.		Activity Completion Score: 65% *Comments: While many of the points were completed, the functionality of the structures and procedures developed is questionable and most likely resulted in the challenges the project faced during expansion and full implementati*

			on.
Activity I.4: Update the technology to optimize operations and management	18 months into project execution: 1. Grupo Bimbo has developed a financial module of the proprietary software to ensure reliable operations during the expansion. 2. Grupo Bimbo has procured and installed a server to work with FinComún. 3. The Bimbo loan acceptance model is ready (Bimbo score version). 4. FinComún has procured software for operations at the distribution centers. 5. FinComún has procured software to administer and digitize files. 6. The credit analysis and authorization center is operation, employing a parametric evaluation methodology. 7. FinComún has procured and installed multifunctional equipment at the distribution centers to facilitate electronic data transmissions. 8. FinComún has procured process management software.		Activity Completion Score: 65% *Comments: FinComún and Bimbo were able to accomplish the majority of the specific activities contemplated in Activity I.4, however, for various reasons, the systems are now obsolete and no longer usable by either organization.*

General Findings & Comments:

Component I was the most fully and successfully implemented component of the Project. FinComún signed 21,345 new clients from within the Bimbo network as a result of the Project, which represents 53% of the total original goal. Of these, a minimum of 10% are still FinComún costumers to date (*only reflects the number of tenderos who still have outstanding Bimbo initiated loan products and does not include tenderos who initiated with the Bimbo products but have since migrated to other FinComún finance and insurance products, which is not tracked by FinComún*). FinComún's anticipated geographic expansion that was to result from the Project initially seemed on track. FinComún opened 26 new branches based on the relationship with Bimbo. However, for a number of reasons these branch offices were not operating at optimal efficiency levels, and as such 19 branches were closed in 2011 and 2012 as a result of an organizational streamlining and operational efficiency directive implemented by FinComún's new Director General, Guillermo Collin.

Activity I.2 and I.3: The development of a model to train FinComún and Grupo Bimbo staff in the optimized processes and new methodology (I.2), and the designing an operating and supervision

structure to scale up the operation (I.3), were fundamentally flawed in both concept and implementation, and were major contributing factors to the Project's many challenges and its failure to result in a replicable or scalable model for future programs within Bimbo and/or other large corporations.

Activity I.2 is at the heart of the fundamental flaw with the Project's original design. It was developed based on the assumption that Bimbo staff can and should be trained to serve as sales representatives and/or agents to promote and manage the distribution of FinComún products/services to Bimbo's network of tenderos. Conceptually, this activity was flawed from its design, as it places too much reliance on Bimbo staff and employees (primarily Bimbo truck drivers and their warehouse management teams). To begin, the job profile of a truck driver is very different from that of a loan agent or a loan product sales person, each requiring different skill sets, backgrounds and interests. Further, Bimbo truck drivers and warehouse management already had roles and responsibilities within Bimbo's operations, with day to day processes, requirements and evaluation metrics that were established long before the FinComún Project. In any corporation, adding additional responsibilities and procedures to already established routines, especially responsibilities and activities that are so incredibly different from those currently being performed, requires a significant amount of retraining and even re-staffing. Simply adding new functions to core to job responsibilities or including these new functions into performance evaluations does not resolve this issue of personality conflict or time allocation.. In the case of this Project, FinComún and Bimbo (i) planned to add additional job responsibilities that were very different from the traditional, core, responsibilities of the Bimbo drivers and their management, (ii) did not make these new responsibilities part of the core functions and an integral part of team and individual performance evaluations, and (iii) did not adequately align incentive structures throughout the management chain (from drivers to sr. management). In many cases, performing the new FinComún sale/agent responsibilities would have negatively impacted the performance of the Bimbo drivers, their management and their teams on core performance metrics such as number of stores served per day/week, sales per store, etc. and created significantly more work (in terms of hours) for the drivers each day. On average drivers spend between 7 and 10 minutes in each store and have an average of 60 stores to service each day. The drivers and management interviewed indicated that promoting/ servicing FinComún microfinance products added on average 3-5 additional minutes per store, increasing their time per store/day by approximately 30% - 50%.

Further, the drivers and warehouse management interviewed indicated that they only received very basic training on how to use the "Pay in my business" programs on their handheld POS devices. This may have been the result of FinComún and Bimbo's realization that for the reasons

detailed above, the Bimbo drivers would not be effective promoters or agents of FinComún products/services.

Activity I.3 represents another component, which was critical to the Project's successful execution and implementation. While FinComún and Bimbo did complete each of the specific tasks outlined for Activity I.3, the structures and strategies developed by FinComún/Bimbo lacked the rigor and operational effectiveness required for the Project's success.

The operating and supervision structure developed under the "Comité Asesor" (the Project's Advisory Committee) incorporated senior members of management from both FinComún and Bimbo, including Martin Zubieta, Director Comercial of FinComún and Adolfo Pérez Salgado, Divisional de Proyectos in the Ventas Canal Detalle management. As per the contractual relationship with the MIF, FinComún assumed the administrative and management functions of the Project as the Implementing Agency. Bimbo was incorporated into the Comité via a working agreement between FinComún and Grupo Bimbo. However, according to previous reports, the group met infrequently, approximately once a quarter, lacked a clear definition of the roles and specific responsibilities of each member, and didn't include any representatives from within the Bimbo operational chain that were involved in the day to day functions and/or management at the distribution centers/operational level to provide a more grounded perspective and feedback on the project.

As such, the Comité was established and functioned more as a high level management and administrative body, best suited for coordination of major issues/items and project oversight, rather than the day to day development and management of the Project's implementation and roll out within both organizations. An additional, high profile working group comprised of dedicated, high performing, members from both organizations, which reported and answered directly to the Comité Asesor could have dramatically strengthened the project's implementation and roll out within both organizations (see Lessons Learned and Recommendations section for more details). The lack of a dedicated working body that integrated members from both teams on a full time basis contributed considerably to the project's slow development, its inability to rapidly adapt and make changes to the model based on real time information and feedback from the drivers, managers and FinComún agents involved in the project, and significantly hindered the Project's long-term impact and viability as a model. As such, Activity I.3 lacked a key task, namely the establishment of a dedicated working group and an Operational Supervisor to lead the working group with high level access to senior management in both organizations and specific performance based evaluations linked to the success of the project.

Budget: FinComún drew down 141.5% of the total Project budget for Component I, representing 63.3% of the initial MIF budget and 157.3% of the total initial project budget to be contributed by FinComún. The majority of FinComún's additional expenditures were invested in the development of the operating system, database and technology platform that were integrated with Bimbo's systems and handheld POS systems.

COMPONENT II: DEVELOPMENT AND MARKETING OF NEW MICROFINANCE PRODUCTS

COMPONENT/ACTIVITIES	INDICATORS	ORIGINAL BUDGET/ BUDGET IMPLEMENTED	GRADE (0%-100%)
Component II: Optimization and expansion of the provision of financial services	18 months into project execution: 1. 4,800 business-development loans are granted through 16 branch offices for a disbursed portfolio value of US$2.6 million. 2. 4,000 home-improvement loans are issued through 16 branch offices for a disbursed portfolio value of US$800,000. 3. 15,000 life and disability insurance policies are sold through Grupo Bimbo distribution channel. 4. 3,000 education insurance policies are sold through the Grupo Bimbo distribution channel. 5. 2,000 health insurance policies are sold through the Grupo Bimbo distribution channel.	Total Project: US$46,129/US$460,100 (10.0%) MIF: US$41,601/US$302,500 (13.8%) FinComún: US$4,528/US$157,600 (2.9%)	1. 100% 2. 95% 3. 15% 4. 0% 5. 0%
Activity II.1: Develop two new microfinance products for shop owners	12 months into project execution: 1. One new microfinance product aimed at strengthening shop owners' business is designed and launched. 2. Operating manuals and data processing systems have been adapted for the new microfinance product. 18 months into project execution: 3. A second new microfinance product is designed and launched, for home improvements and/or shop owner family activities. 4. Operating manuals and data processing systems have been adapted for the second new microfinance product.		Activity Completion Score: 65% *Comments: FinComún adapted their home improvement product for shop owners and did have some success in its roll out. No other products were developed.*
Activity II.2: Develop three new insurance products for shop owners	12 months into project execution: 1. One new life and permanent disability insurance product, with an installment payment plan, is designed and launched. 2. Operating and data processing manuals are adapted to include the new insurance product 3. FinComún acquires and/or pays a user fee to install insurance administration software.		Activity Completion Score: 15% *Comments: FinComún did not develop new products*

	18 months into project execution: 4. A second new product providing education insurance for family members in the event of the shop owner's death or disability is designed and launched. 5. Operating and data processing manuals are adapted to include the second new insurance product. 24 months into project execution: 6. A third new product providing health insurance for shop owners and their families is designed and launched. 7. Operating and data process processing manuals are adapted to include the third new insurance product.		*for shop owners, but rather utilized existing products (life and disability insurance). The product roll out was not based on a market/ demand assessment and was probably not the most appropriate product to pilot.*
Activity II.3: Develop a new higher education savings product for shop owner families	By project completion: 1. A new college savings product for shop owner families is available. 2. Operating and data processing manuals are adapted to include the education savings plan.		Activity Completion Score: 0% *Comments: This was not developed at all.*
Activity II.4: Train FinComún and Grupo Bimbo staff in the new products	18 months into project execution: 1. The following FinComún Staff are trained: 10 coordinators, 40 advisors, and 10 associate. 2. The following Grupo Bimbo staff are trained: 1,200 salespersons and 70 associates at 16 distribution centers. 3. The following Grupo Bimbo staff are trained in insurance products: 7,000 salespersons and 400 associates in the distribution channel. By project completion: 4. The following FinComún staff are trained: 16 coordiinators, 130 advisors, and 16 associates. 5. The following Grupo Bimbo staff are trained 3,200 salespersons and 220 associated at 50 distribution centers. 6. The following Grupo Bimbo staff are trained in in insurance products: 17,000 salespersons and 1,000 associates in the distribution channel.		Activity Completion Score: 0%
Activity II.5: Evaluate the level of satisfaction with new products and analyze demand in order to identify business opportunities	By project completion: 1. Reports are on file of visits to monitor implementation and evolution of new products. 2. The consultant has prepared a report on the development of new credit, insurance, or pension products satisfying the unmet needs of shop owners, their families and/or their businesses.		Activity Completion Score: 0% *Comments: This should have been*

	3. New product evaluations and user satisfaction surveys are completed. 4. A report on the study to gain a better understanding of customer is prepared.		*done first along with a demand/needs assessment.*

GENERAL FINDINGS & COMMENTS:

The Project only partially implemented Component II before it was canceled by FinComún. Nonetheless, as part of this component, FinComún provided 15,935 business improvement loans to Bimbo tenderos representing a total value of US$40.34 million. They also made 1,090 home improvement loans for a total value of US$3.49 million. FinComún attempted to develop and deploy new insurance products for Bimbo's tenderos, however only sold 4,320 life and disability insurance policies of the 15,000 policy goal during the first 30 months of the project. FinComún decided to cancel the component based on lack of interest from tenderos for this first insurance product, and as such no other insurance products were developed or marketed to store owners, including planned education and health related products.

In hindsight, FinComún's strategy to adapt an already existing loan product- the life and disability insurance- to sell to tenderos may have contributed considerably to the FinComún's inability to penetrate this new market with micro-insurance products. They did conduct an initial market study to gauge need, demand or interest for life and disability insurance; however, the market analysis, likely, did not provide adequate insight into the actual demand, need and interest for life and disability insurance products as compared to other, more common insurance products such as health care or property insurance. Such an analysis could have provided highly relevant guidance to FinComún as they rolled out and implemented this component, dramatically increasing the probability that they would have been able to successful develop the right micro-insurance products to penetrate the tendero market.

Budget: FinComún drew down 10.0% of the total Project budget for Component II, representing 13.8% of the initial MIF budget and 2.9% of the total initial project budget to be contributed by FinComún.

COMPONENT III: DESIGN AND PILOT TEST OF A CORRESPONDENT FINANCIAL SERVICES SYSTEM WITH RETAILERS

COMPONENT/ACTIVITIES	INDICATORS	ORIGINAL BUDGET/ BUDGET IMPLEMENTED	GRADE (0%-100%)
Component III: Design and pilot test of a correspondent financial services	24 months into project execution: 1. Conceptual design of the correspondents system is ready.	Total Project: US$83,678/US$289,300 (28.9%)	1. 50% 2. 0%

system with retailers	By project completion: 2. 30 correspondent retailers are in operation, conducting transactions with FinComún and third party products. 3. Correspondent retailers earn an extra US$150 a month on average.	MIF: US$79,387/US$287,464 (27.6%) FinComún: US$4,291/US$1,836 (233.7%)	3. 0% *Component was never implemented given lack of appropriate legislation to make corresponden t networks legal.*
Activity III.1: Identify viable microfinance services to be offered through correspondent retailers and develop a correspondents model	12 months into project execution: 1. An inspection mission to the region to review successful, relevant correspondent models, in and outside the country, has been completed. 2. A report on the legal and regulatory framework as it applies to correspondent partners has been prepared. 3. A complete report has been drafted on the recommended correspondents business model, identifying at least four FinComún and/or external provider services to be offered by correspondent shop owners. 18 months into project execution: 4. A correspondent shop owner business model has been developed and adopted.		Activity Completion Score: 50%
Activity III.1: Identify viable microfinance services to be offered through correspondent retailers and develop a correspondents model	12 months into project execution: 5. An inspection mission to the region to review successful, relevant correspondent models, in and outside the country, has been completed. 6. A report on the legal and regulatory framework as it applies to correspondent partners has been prepared. 7. A complete report has been drafted on the recommended correspondents business model, identifying at least four FinComún and/or external provider services to be offered by correspondent shop owners. 18 months into project execution: 8. A correspondent shop owner business model has been developed and adopted.		Activity Completion Score: 50%
Activity III.2: Launch the correspondent financial services pilot project	12 months into project execution: 1. The selection criteria for correspondent retailers have been set. 18 months into project execution: 2. Operating manuals, internal controls and support for the correspondent retailers are in place. 3. All materials for the launch campaign are ready. 4. A course of training for correspondent retailers is developed.		Activity Completion Score: 0%

	By project completion: 5. 30 correspondent retailers have been trained and are providing services; 10 FinComún associates have been trained in use of the model. 6. A full report on the pilot project, including recommendations to optimize the model, has been prepared.		
Activity III.3: Develop technologies to operate the correspondent financial services system	24 months into project execution: 1. A retailer data processing system has been developed, and FinComún systems have been adapted for the correspondents operation. 2. FinComún has purchased equipment for the correspondents operation, a server to support call center operations, and prepaid IP Internet telephone cards to assist correspondent retailers. By project completion: 3. Documentation on a standardized correspondent retailer model has been developed.		Activity Completion Score: 0%

General Findings & Comments:

Component III was never fully implemented due to the unfavorable regulatory environment within Mexico. The Project originally intended to develop a correspondent-agent network, "corresponsales" that leveraged its top performing tendero clients to serve as a network of community-based mini-agents to promote and sell FinComún micro-finance products, and serve as a local mini-banking branch where local community members can make savings deposits and service loans. Currently, the legislation in Mexico does not allow this type of "corresponsales", mini-agents/branches, for microfinance institutions that handle savings accounts as well as loans. Out the Project's outset, FinComún had initially thought that the Mexican legislature would pass a new law allowing microfinance institutions to develop corresponsales networks. However, despite the fact that FinComún senior management actively participates on a committee that is advising the Mexican government on their development of banking policies, the legislation permitting MFIs to develop corresponsales networks has, to date, not yet been approved. Interestingly, legislation was approved that permits traditional banks to adopt corresponsales networks was approved during the implementation period of the Project; however, legislation did not grant such rights to MFIs.

Budget: Component III was only partially implemented. As such, FinComún used only 28.9% of the total Project budget for Component III, representing 27.6% of the initial MIF budget and

233.7% (US$4,291) of the total initial project budget of US$1,836 to be contributed by FinComún.

COMPONENT IV: EVALUATION AND DISSEMINATION

COMPONENT/ACTIVITIES	INDICATORS	ORIGINAL BUDGET/ BUDGET IMPLEMENTED	GRADE (0%-100%)
Component IV: Evaluation and dissemination	By project completion: 1. The FinComún model is presented in at least five countries in the region. 2. Three internships are held.	Total Project: US$0.0/US$30,750 (0.0%) MIF: US$0.0/US$15,750 (0.0%) FinComún: US$0.0/US$15,000 (0.0%)	1. 0% 2. 0%
Activity IV.1: Prepare a publication describing the experience, including case studies	By project completion: 1. At least one publication has been prepared on the experience, covering no less than three case studies.		Activity Completion Score: 0%
Activity IV.2: Offer an international interns program	By project completion: 1. At least five international interns from microfinance institutions in the region have visited for at least two weeks.		Activity Completion Score: 0%
Activity IV.3: Participation in national and international forums	By project completion: 1. FinComún representatives have presented the model at no fewer than three microfinance events in the region.		Activity Completion Score: 0%

GENERAL FINDINGS AND COMMENTS:

Component IV was not implemented at all as the Project was suspended prior to completion. Development of an operating model, best practices evaluation and case studies were not prepared.

Budget: Component IV was not implemented. As such, FinComún used only 0.0% of the total Project budget for Component IV, representing 0.0% of the initial MIF budget and 0.0% of the total initial project budget to be contributed by FinComún.