MICROFINANCE TRAINING CONSORTIUM

(TC-96-11-11-3-RG)

EXECUTIVE SUMMARY

REQUESTER:	Universidad Anahuac del Sur (Mexico)
EXECUTING AGENCY:	Regional Microfinance consortium, composed of Universidad Anahuac del Sur(UAS) in Mexico and six microfinance institutions in five countries: Ademi in the Dominican Republic, Bandesarrollo in Chile, BancoSol in Bolivia, Caja Los Andes in Bolivia, Compartamos in Mexico, and FENACOAC in Guatemala.
BENEFICIARIES:	Microfinance institutions from the Latin American and Caribbean borrowing countries.
FINANCING:	MIF (III-A): US$ 1,740,000 Universidad Anahuac del Sur: US$ 733,000 Other consortium members: US$ 48,000 Total: US$ 2,521,000
TERMS:	Executing Period 36 months Disbursement Period 39 months
CESI:	The Committee on Environment and Social Impact approved the project on June 9,1997.
OBJECTIVES:	The overall goal of the project is to strengthen the capacity of formal and informal financial institutions to provide high-quality sustainable financial services to microenterprises. The project's specific objective is to deliver training services through a consortium of institutions which will be able to offer a mix courses which draw from the strengths of a variety of microfinance and banking methodologies.
DESCRIPTION:	There are four activity components to the project. The first activity is consortium management, which will initially be carried out by the management team based at UAS, with progressive decentralization over the life of the project. The consortium management team will administer and coordinate all program activities. In addition to the activities mentioned above, the consortium management will be responsible for conducting market research and carrying out promotional activities, developing an information database as a resource for practitioners in the region (especially program alumni), and establishing a scholarship fund, to enhance the program's long-term sustainability after the project financing ends. The second activity is market research and promotion, which will analyze demand in the market, formulate a marketing strategy, and promote and advertise the program activities.

The third activity is curriculum development, which will take place before the courses are initiated and on an ongoing basis to ensure that course content remains up-to-date. Materials to be produced include: facilitator manuals, study guides, short technical papers, and products tailored especially to formal financial institutions.

The fourth and most important activity component is training. Training activities will include: a) a centralized training of trainers program, to ensure quality and consistency of courses, b) basic practitioner training, which will be classroom courses offered at different sites in the Region (near the students), packaged with a hands-on practical experience in a functioning microfinance institution, c) short courses, or modules, focusing on specific technical issues of interest to students, and d) special training seminars which will focus on newly emerging technologies or frontier issues in the industry. The consortium will subcontract an institution which specializes in traditional bank training (referred to in this document as the banking group), to develop and offer module courses and special seminars tailored to formal financial institutions.

The consortium is designed to capitalize on each member's expertise, offering course choices which span the range of microfinance methodologies used by the most successful formal and informal microfinance institutions in the Region. The program is targeted to reach at least 2000 practitioners in a three year period.

BENEFITS: The training program will benefit the microenterprise sector as a whole. Since there is currently no systematic microfinance training available in Spanish in the Region, the program will help to overcome one of the constraints to the growth of microfinance in the Region. The courses offered by the program will benefit practitioners from both formal and informal microfinance institutions, and will also be open to policy makers and regulatory agency representatives. Through the training program, practitioners will learn to use proven methodologies which can help them serve their clients better and manage their microfinance institutions more efficiently. Microenterprises will benefit from the improved financial services, which will enable microentrepreneurs to start new microenterprises or grow their existing enterprises. The program will also benefit policy makers and/or regulators, because through the training, they will gain a better understanding of the real issues faced by the sector, allowing them to help develop a better policy environment for microfinance institutions.

RISKS:

The first major challenge to the project is related to the ability of the consortium to coordinate the activities of various members from different parts of the Region. **In addition, because this project is innovative, the consortium will play a new and untested role in the Region. Thus, the consortium's institutional development is key to the success of this project.** A strong leadership role on the part of the Executive Director from the UAS is planned, especially in the initial phases of the project, in order to ensure that there are clear lines of accountability and channels of communication within the consortium structure. The second challenge involves setting a tuition price which will attract students yet be high enough to make the program financially self-sustaining. The consortium will undertake market research during the first three months of the project and, if needed, adjust the tuition price. A preliminary survey already completed during the project design phase shows that there is substantial demand on the part of microfinance practitioners for the type of training which will be offered by the consortium (See Section G, 4.36-4.38).

THE BANK'S STRATEGY:

Over the years, the Bank's approach to microenterprise development has shifted from a primary emphasis on one-time transfers of financial and technical resources to the beneficiaries, to the strengthening of intermediary institutions that can deliver these services to the target group on a long-term, sustainable basis. The Bank's new microenterprise development strategy specifies the institutional development of microfinance organizations providing services to microenterprises as one of two priority objectives for the IDB in the next five years. The training consortium program will make a significant contribution to the achievement of this objective.

The Bank's previous efforts to support microfinance training projects for a number of organizations, such as Women's World Banking (ATN/SF/NF-3649-RE), Centro Acción (MIF/AT-17) or Fundación Carvajal (AT-917), have been limited in that beneficiaries consisted of only the executing agencies' staff and/or affiliates, or the practitioners of a specific type of organization, such as informal microfinance institutions. The proposed microfinance training consortium to be funded by the MIF will deliver a variety of training courses to a range of financial institutions throughout the Region; yet course content will be based on these institutions' specific needs.

SPECIAL

The agreement will require that the executing agency fulfill the following special contractual conditions to the Bank's satisfaction:

CONTRACTUAL CONDITIONS:

a) the establishment of a special account for operational expenses prior to the first disbursement; b) the disbursement with a *pari pasu* counterpart spending(MIF's procedure, see 4.31); c) compliance with reporting schedule and satisfactory performance as measured by evaluations (see 4.41-4.43); d) selection and hiring of the consortium's administrative and curriculum development teams (within three months of the signature of the agreement, see 4.5); e) use of net income of the program only for project activities or scholarship fund (see 4.8 and 4.35), and f) presentation of the work plan (see 4.41); g) the appointment of the board members of the cosortium (see 4.25).

The consortium will select the banking group within four months after the contract is signed using the standard procedures of IDB and MIF. The Terms of Reference for the Banking Group can be found in Annex 3.

I. ELIGIBILITY

1.1All countries involved in the project have been declared eligible for all modalities of financing under the Multilateral Investment Fund (MIF) by the Donors Committee. Students from any MIF-eligible country may participate in courses offered by the consortium.

II. BACKGROUND

2.1 The microenterprise sector is one of the most important vehicles available for low-income people to escape poverty through market-driven productive activities. Also, microenterprises make a major contribution to aggregate employment, production and national income in Latin America and the Caribbean. Over 80% of businesses in the region have 10 employees or less, and they account for as much as half of all employment in many countries.

2.2 Microentrepreneurs generally do not have access to the formal banking system because of the high transaction costs and perceived high risks of microenterprise lending. Thus, microentrepreneurs have to depend on informal microfinance institutions (mainly NGOs), many of which are subsidized by international donors. Given the declining availability of donor resources to support these institutions, the sustainability of microfinance organizations has become one of the most important issues in microenterprise development.

2.3 Consistent access to financial services is crucial in order for microenterprises to grow and integrate into the formal small enterprise sector. In general, there are few formal or informal financial intermediaries which manage efficient microfinance technologies. Practitioners (from managers to credit officers) in each type of organization have a certain set of skills and knowledge, but lack others which are necessary to effectively provide services to the microenterprise market. Practitioners from all types of organizations need to learn about innovative microfinance methodologies used in the Region and in other parts of the world, and should be equipped with the necessary technical and management skills.

2.4 Although there are a few training facilities which offer limited training opportunities in relation to microfinance, such as the Economics Institute in Colorado, U.S.A. and Centro Acción in Bogota, Colombia, there has never been a regional training program for the microfinance field which could target bankers and microfinance practitioners, be open to the whole Latin American region and all interested institutions, offer continuous year round training, provide hands-on practical training, and operate on a sustainable basis.

2.5 Recent experiences with innovative financial instruments and methodologies have proved that microfinance lending is less risky than previously believed; successful microfinance institutions can be self-sufficient and even profitable. Examples include formal financial institutions that started as NGOs such as Caja los Andes in Bolivia or Financiera Calpia in El Salvador; informal microfinance institutions such as FINCA/Costa Rica, and microbanking sections of commercial banks such as Banco del Desarrollo in Chile or Caja Social in Colombia. Other financial institutions and NGOs need orientation and training if they are to successfully replicate these models.

III. OBJECTIVES OF THE PROJECT

Objectives

3.1 The ultimate goal of the project is to strengthen the capacity of formal and informal financial institutions to provide high quality financial services to microenterprises on a sustainable basis.

3.2 The project's specific objective is to offer, through a consortium of training institutions, a mix of basic training courses, specialized banking courses, and hands-on practical training in microfinance. The program is designed to capitalize on each consortium member's expertise, offering course choices which span the range of microfinance methodologies used by the most successful formal and informal microfinance institutions in the Region.

IV. DESCRIPTION OF THE PROJECT

A. The executing agency

4.1 The executing agency of the project will be the microfinance training consortium. The consortium will be structured under the leadership of Universidad Anahuac del Sur of Mexico, which will be responsible for coordinating all program activities. Additional consortium members include six satellite units, which are successful microfinance institutions (Ademi in the Dominican Republic, Bandesarrollo in Chile, BancoSol in Bolivia, Caja los Andes in Bolivia, Compartamos in Mexico, and FENACOAC in Guatemala). The principal role of the satellite units will be to offer hands-on practical microfinance courses. In addition, the consortium will subcontract an institution which specializes in traditional bank training (referred to in this document as the banking group), to develop and offer microfinance courses tailored to formal financial institutions. The banking group will be selected in a competitive process following the required procedures of the IDB and the MIF, and subcontracted by the consortium within four months from the date of signature of the contract.

B. Target clients

4.2 The program will be designed to accommodate the needs of three levels of practitioners: directors, middle managers, and credit. officers. According to a preliminary demand analysis undertaken during the preparation phase of the project, microfinance training is equally important to practitioners at each of the three levels. The consortium program targets not only practitioners from informal financial institutions in the region, but also from the formal financial sector (i.e., banks, finance companies, and credit unions). While designed to meet the immediate needs of practitioners, the courses will be open to a range of clients including policy makers and/or microfinance specialists from donor agencies. The program aims to reach at least 2000 practitioners by the end of year three.

C. Activities

4.3 There are four activity components to the project: (1) the actual management of the consortium, which will initially be carried out by the management team from UAS, with a progressive decentralization taking place over the life of the project and beyond (see logical framework for decentralization indicators), (2) market research and promotion, (3) curriculum development, which will be carried out by expert consultants hired and supervised by the management team, and (4) training, which will be conducted by consultants with specialized knowledge of microfinance and finance technologies, hired and supervised by the consortium management team. Training activities include a) training of trainers, to be conducted in Mexico, b) basic practitioner training, which will be conducted in rented facilities near the target group of practitioners, c) hands-on training, which will be conducted on-site by the satellite units, and d) special seminars focusing on newly emerging technologies or institutions. Special seminars will be held in the location most appropriate to their content, and may be conducted in tandem with promotional activities or seminars organized by the consortium.

1. Component One: Consortium management ($547,800)

4.4 The consortium management team, consisting of the Executive Director and staff, will be directly responsible for the following activities: (a) hiring and supervising consultants to develop the curricula and conduct training activities, (b) financial management of the consortium, including collection of tuition fees and establishment of a scholarship fund, and © acting as a quality control center for the consortium and an information source for the microfinance community in the region. Management of the consortium is expected to be progressively decentralized over the life of the project, with other members assuming a larger role each year in activities such as curriculum development, marketing and promotion, and course offerings beyond the hands-on satellite courses.

a. Hiring and supervising consultants

4.5 The consortium, through the management team, will hire and supervise highly qualified microfinance experts as short-term consultants to conduct program activities such as curriculum development, training of trainers, and execution of the practitioner training courses. The selection and hiring of these consultants will occur during the first three months of the project, and will continue as necessary, based on the training schedule. Selection and hiring practices will be in accordance with standard IDB and MIF procedures. (The cost of each consultant includes fees for services, traveling expenses and accommodations if necessary. In Table 1 below, which breaks down the project budget by component, consultant costs are allocated to their corresponding activity.) The use of experts consultants will allow the consortium the flexibility needed to keep up with the rapidly changing field of microfinance.

4.6 The consortium will carefully select well-known practitioners, policy makers, and scholars in the microfinance and microenterprise development field to serve as curriculum advisors, trainers, and speakers. These individuals should be familiar with innovative financial and non-financial technologies, the structure of regional and domestic financial markets, and banking regulations. To further advance the frontier of microfinance, it is crucial for microfinance practitioners in Latin America and the Caribbean to have access to the most recent technologies and to exchange ideas and share experiences with experts from other parts of the world.

4.7 When selecting consultants or consultant firms to carry out the activities described below under Curriculum Development, the consortium will require candidates to present a written proposal detailing the costs of the activity, the work involved, and the length of time which the consultant(s) will dedicate to this task. Proposals will then be evaluated based on their merit and in accordance with standard Bank and MIF selection procedures.

b. Financial management and scholarship fund

4.8 In addition to regular financial activities such as setting up and collecting appropriate tuition fees and overall management of the consortiums financial resources, the consortium team will establish and fundraise for a scholarship fund. The scholarship fund will allow the consortium to offer training to practitioners from young or small organizations that have growth potential but limited resources for training their staff and management. Any net income earned during the implementation of the project may be contributed to the scholarship fund. The criteria for scholarships and selection procedures have to be approved by the IDB/MIF before net income can be used for scholarship fund. During the life of the project, the consortium will carry out fundraising activities to attract donations for scholarships from the private sector.

Institutions which have already expressed interest in contributing to the scholarship fund include Bolsa Mexicana, Ford Foundation Mexico, and Banamex.

c. Quality control and information

4.9 The consortium will develop quality standards for the satellite units. Depending on each unit's performance relative to the quality standards (in both training and business performance), the consortium will retain the option to replace, add or eliminate satellite units.

4.10 The consortium will aim to become a reference center for microfinance activities in the Latin America and Caribbean region. The consortium will develop a homepage and a database which will be accessible through the Internet. The database will accumulate up-to-date knowledge in the field of microfinance, including research results and the latest technology developments. The consortium homepage will provide a space for the program's alumni to continue to exchange information and experiences.

2. Component Two: Market research and promotion ($456,600)

4.11 During the first three months of the project, the consortium management team will conduct a region-wide market analysis. The purpose of the analysis will be to clearly understand the demand for training from microfinance practitioners, and to develop a strategy for marketing and promoting the courses. Specifically, the market analysis will help the consortium to define priority regions, set appropriate tuition prices, and identify course topics that are in high demand.

4.12 In addition to advertising the program, the consortium will conduct promotional seminars. These seminars will be offered at least four times a year in different parts of the region. The main purpose of these seminars is to increase the awareness of microfinance issues in targeted regions. The seminars will also provide opportunities for consortium staff to exchange ideas with local practitioners and stimulate demand. The seminars will allow the consortium to incorporate identified needs and up-to-date field experiences into its program. Promotional seminars may be conducted in tandem with special training seminars, which are described below.

3. Component Three: Curriculum Development ($314,000)

4.13 The consortium, through its management team, will hire expert consultants (according to standard IDB and MIF procedures) to assist them in the development of a set of course curricula which are comprehensive in the issues and methodologies they span, yet

detailed and highly technical within each subtopic. The banking group will play an important role in developing courses which are tailored to an audience from the formal financial sector. The consortium will develop materials for each type of training course offered. The materials developed will reflect best practices in the field of microfinance, and will be based on the latest research results, technical documents, and adaptations of course offerings by similar institutions outside the region.

4.14 The products which will result from the curriculum development process are: I) facilitators' manuals for distribution during the training of trainers courses and subsequent use by consortium trainers, ii) study guides covering a range of topics for use during basic classroom training, iii) case studies of successful microfinance institutions based on the satellite units' experiences, which will be developed by experts who will travel to the satellites, and iv) technical materials which draw on the most advanced and up-to-date strategies for the delivery, marketing, and regulation of financial services to be used in the module courses, and v) additional module materials for the tailored banking courses, which will be developed by the banking group and offered as part of the module series.

4. Component Four: Training courses ($863,450)

4.15 The core of the consortium program consists of the delivery of training courses. For each training session, trainers are expected to travel all over the region to offer courses. This approach is beneficial to both the students and the consortium since: I)it will minimize students' travel costs, ii) with well-selected locations, this system will maximize the number of students attending each course, iii) the consortium can determine the specific needs of practitioners in each country and adjust and improve the courses so they are more relevant.

4.16 The program will offer the following courses: a) training for trainers, b) practitioner training, c) tailored courses for bankers, and d) special seminars. Students will be practitioners from all around the Region, who have been selected by their own institutions to attend the courses. Institutions which are expected to send students include specialized microfinance institutions, formal financial intermediaries which are involved or interested in microfinance, and government agencies.

a. Training of trainers

4.17 Training courses for trainers will be offered in Mexico from two to three times a year, six in total by year three. All trainers for the basic courses must attend these sessions, in order to ensure

quality and consistency in the basic training courses. Consortium staff will attend these courses along with trainers, in order to ensure that updated knowledge is incorporated into the curriculum of the consortium program.

b. Practitioner training

4.18 The practitioner courses consist of I) basic classroom courses to be offered at different sites in the Latin American and Caribbean region, packaged with hands-on practical training offered by satellite units, and ii) short courses, or modules. These two elements will constitute the core of the practitioner course menu, and its two components are meant to be purchased separately. According to the demand survey conducted among microfinance practitioners throughout the region, an appropriate length for the basic training package would be 2-3 weeks, and the desired length for the module courses was one week.

4.19 Basic courses will be offered two to six times a year, 11 in total by year three. These courses will be taught by trainers who are trained in Mexico (see 4.17). Basic courses will offer a general overview of the microfinance field, and cover subjects such as finance, accounting, credit methodologies, and interest rates. This classroom training will also provide an important link to real-world experiences in microfinance, through the use of case studies.

4.20 During hands-on training following the basic classroom courses, the satellite units will be responsible for demonstrating to the students the microfinance methodologies used at their sites.

4.21 Short, one-week courses called modules will also be offered during each course cycle. Module courses will be offered four to six times a year, fifty modules in total by year three. The courses will be developed and taught by experts on specific topics in the microfinance or finance fields, such as: I) asset and liability management, ii) financial analysis and planning, iii) performance standards, iv) regulation and supervision, v) designing savings services, and vi) management information systems.

c. Tailored course for bankers

4.22 The consortium will offer module courses especially tailored for practitioners from formal financial institutions, focusing on specific issues that bankers have to consider when they are offering financial services to microenterprises. These courses will be developed mainly by the banking group (see 4.1), and will be offered at various sites in the region. Initially, the courses will be offered as module courses; at least two modules, six times a year, 20 in total by year three(a subset of the fifty mentioned

above). Depending on market demand, these courses could be offered on their own, independently of the regular practitioner training.[1]

d. Special seminars

4.23 The consortium will also offer several 1-2 day special training seminars. These seminars will be offered with increasing frequency over the life of the project, 19 in total by the year three, at various sites in the region. The topics of the seminars will include the latest technologies or frontier issues in the microfinance industry. Seminars, like other training activities, will be conducted by specialized consultants in the microfinance field and coordinated by the consortium management team. Between 6-8 of the special seminars will be conducted by the banking group.

D. Project execution and organization

Structure of the consortium

4.24 The project will be carried out by the consortium. The Consortium members include the executive director and management team from the UAS in Mexico, and six satellite units (microfinance institutions.) The criteria for becoming a new member must be appproved by the IDB/MIF(see Annex 4.) The banking group will be subcontracted according to standard IDB and MIF procedures by the consortium to develop and offer courses tailored to the formal financial institutions. The board of the consortium will retain the right to invite new members, or replace original members (see Annex VII for the organizational structure).

4.25 **The board** will be composed of representatives from member institutions, contributors/donors to the consortium, and outside experts from the microfinance field in the Latin America and Caribbean region. Members will include: the board's chairman (from UAS), two representatives from the satellite institutions (one for every three satellites), and two representatives of the private sector (who may also represent contributors to the scholarship fund). An IDB representative designated by the project team leader will be invited to attend board meetings as an honorary member during the life of the project. The initial number of board members will be six (including the IDB observer) but if the number of satellite units expands, an additional board member may be added. The roles and responsibilities of the board members will be specified in the consortium's bylaws. Overall, the board will guide the program's direction, appoint an executive director, evaluate program development and the performance of the management team, and

[1]While the development of the banking course curriculum will be subsidized, and the first few course cycles may be priced at or below cost while the curriculum is still being adapted, in the long term banking courses will be offered at an unsubsidized rate.

help promote the consortium program. The board will not be involved in the day-to-day operations of the consortium.

4.26 **The management team** is composed of the executive director, an academic coordinator, and an administrative assistant. The project leader from UAS in Mexico will initially assume the executive director position in the program. The executive director will be accountable to the board and will be in charge of all program operations; will make final decisions concerning general program direction, and will monitor and coordinate program activities by communicating closely with the other consortium members. The management team will also be responsible for overseeing the progressive decentralization of course offerings.

4.27 The **academic coordinator** will be primarily responsible for developing the curriculum and coordinating basic practitioner courses, under the supervision of the executive director. The detailed responsibilities of the executive director and the academic coordinator can be found in Annex I. In addition, several microfinance experts will be recruited and invited to serve as members of a curriculum advisory board. Their role will be to ensure that the consortium's curriculum reflects the frontier of knowledge about microfinance.

4.28 The **banking group** (see 4.1) will be subcontracted according to standard IDB and MIF procedures to assist in the development of the basic course, the tailored courses for bankers, and the module courses and special seminars targeting bankers. The banking group will also be contracted to organize promotional seminars. Terms of Reference for the banking group can be found in Annex 3.

4.29 **Satellite units** will provide students with practical hands-on training in the microfinance methodologies used at their sites. They will demonstrate their own operations (credit and savings methodologies, information systems, field operations, etc.) to the students in an on-the-job setting. The satellite units are reputable microfinance institutions representing a variety of microfinance methodologies: **BancoSol/Prodem** in Bolivia (a successful case of NGO upgrading to commercial banking status, using a solidarity group methodology); **Bandesarrollo** in Chile (a commercial bank providing financial services to microentrepreneurs); **Compartamos** in Mexico (a growing NGO using a village banking model in rural communities); **ADEMI** in the Dominican Republic (a financial NGO which practices group and individual lending and has demonstrated strong product design ability); **FENACOAC** in Guatemala (a credit union network with strong savings mobilization and networking capability); **Caja de Ahorro y Préstamo Los Andes** in Bolivia (a formal financial institution using a successful individual credit methodology). The consortium may elect to replace some satellite units and/or invite new institutions such as CALPIA in El Salvador (individual lending) and/or Banco Caja Social in Colombia (a commercial bank) to join the consortium(see

4.9.) The rights and obligations of satellite members and criteria for the selection of new satellites can be found in Annex IV.

E. Selection of the executing agencies

4.30 The executing agencies were selected by the IDB after an extensive review of institutions. Candidates were chosen based on their experience in training their own staff members and/or outside students. Candidates were required to have an existing program and facilities for training in fields related to microfinance or finance. The procedures used to select the executing agencies are described in Annex III of the document.

F. Budget and Disbursement Schedule

4.31 Table 1 below presents the operation's consolidated three-year budget. The total cost of the program is US$2.5 million, of which the Multilateral Investment Fund (MIF) will provide a maximum of US$1.74 million on a non-reimbursable basis. The host organizations will finance the rest of the start-up costs from their own resources and contributions from the private sector. UAS will contribute US$733,000. The satellite units will contribute US$48,000. The MIF contribution will be disbursed *pari pasu* with the counterpart contributions from UAS.

4.32 The MIF contribution will be used to cover expenditures associated with the marketing and promotion of the consortium's activities, and the evaluation of the project. In addition, the MIF contribution will finance the hiring of short-term consultants for curriculum development and as trainers. The counterpart contribution of the UAS and the other consortium members will cover most overhead costs such as staff salaries, office space and equipment, communications and supplies. Also, UAS will contribute significantly to the costs of editing and printing course materials, as well as local consultant fees. A portion of the counterpart contribution has been raised by UAS from other donors. In addition, UAS and other consortium members are expected to contribute in-kind resources of approximately $80,000 to the project (which is not included in the budget). For a detailed budget breakdown by component, see Table 1 below and Annexes VIII and IX. Note that consultant costs have been allocated to the activity to which they correspond.

Table 1: Consolidated Budget-Three year Totals (1)

Component	MIF	Local	Total
1. **Consortium management**	**62,500**	**485,300**	**547,800**
a) Administration	*62,500*	*460,000*	*522,500*
Staff salaries	0	328,200	328,200
Meetings (incl. staff training & expert fees)	46,000	71,100	117,100
Facilities and Equipment (2)	0	1,500	1,500
Telecommunication	0	41,200	41,200
Legal services and auditing	16,500	18,000	34,500
b) Database management	*0*	*25,300*	*25,300*
2. **Marketing**	**456,600**	**0**	**456,600**
a) Market study(consultant fees)	*30,000*	*0*	*30,000*
b) Promotional seminars	*334,100*	*0*	*334,100*
(speaker fees + travel)	244,200	0	244200
(facilities)	27,000	0	27,000
(translation/edit/copy/support staff)	62,900	0	62,900
c) Promotion, publication, supplies etc.	*92,500*	*0*	*92,500*
3. **Curriculum Development**	**187,500**	**126,500**	**314,000**
a) Training of trainers	*39,000*	0	*39,000*
(trainer fees +travel)	33,000	0	33,000
(translation/edit/print/copy etc.)	6,000	0	6,000
b) Basic / Module Course	*53,500*	*111,500*	*165,000*
(consultant fees + travel)	53,500	48,000	101,500
(translation/edit/print/copy etc.)	0	63,500	63,500
c) Case studies	*95,000*	*15,000*	*110,000*
(consultant fees + travel)	66,000	9,000	75,000
(translation/edit/print/copy etc.)	29,000	6,000	35,000
4. **Training**	**780,650**	**82,800**	**863,450**
a) Training of trainers	*104,800*	*0*	*104,800*
(trainer fees + travel)	100,000	0	100,000
(facilities/equipment)	4,800	0	4,800
b) Basic/Module courses	*424,250*	*19,800*	*444,050*
(consultant fees + travel)	402,650	15,000	417,650
(facilities/equipment)	21,600	4,800	26,400
c) Satellite courses	*172,500*	*15,000*	*187,500*
(trainer fees)	172,500	*15,000*	187,500
d) Special seminars	*79,100*	*48,000*	*127,100*
(consultant fees + travel)	65,000	30,000	95,000
(facilities/equipment)	3,600	0	3,600
(edit/print/copy etc.)	10,500	18,000	28,500
5. Evaluation	**103,500**	0	**103,500**
(consultant fees + travel)	103,500	0	103,500
Contingency	**149,250**	**86,400**	**235,650**
TOTAL	**1,740,000**	**781,000**	**2,521,000**

1) Detailed budget is provided Annex VIII.
2) UAS will also contribute in-kind resources for this purpose.

4.33 The project will be implemented during a 36-month period from the date the contract is signed. The total project disbursement period will be 39 months. The consortium will set up a revolving fund for operating expenditures which will be established at 10% of the MIF contribution. In accordance with MIF procedures, disbursement will take place *pari pasu* with counterpart spending from UAS. The IDB representation in Mexico will be responsible for the administration of this project in matters related to disbursements.

4.34 The following prior conditions will be included as a contractual clause in the Agreement signed by the Executing Agency: a) the establishment of a special account for operational expenses prior to the first disbursement; **b) the disbursement with a *pari pasu* counterpart spending (MIF's procedure, see 4.31); c) compliance with reporting schedule and satisfactory performance as measured by evaluations (see 4.41-4.43); d) selection and hiring of the consortium's administrative and curriculum development teams (within three months of the signature of the agreement, see 4.5); e) use of net income of the program only for project activities or scholarship fund(see 4.8 and 4.35), and f) presentation of the work plan (see 4.41).** Subsequent disbursements will be subject to the receipt of required reports, compliance with IDB and MIF procedures in the contracting of consultants, and satisfactory performance as evidenced by periodic evaluation results.

G. Long-term sustainability

4.35 The consortium will be able to cover the total costs of its operations and become operationally sustainable at the end of its third year of operation. Tuition for the participating students is projected to cover an increasing proportion of program costs, as curriculum development and other investment costs are reduced, and tuition revenues increase. Any net income earned by the consortium during the project implementation period must be used to support project activities or deposited in a scholarship fund which will be established by the project's second year with contributions from private sector donors (see 4.8 above). Any other use of the consortium's net income will require prior approval from the IDB. Detailed cost-recovery projections will be made in the annual workplans, and performance in this area will be emphasized in the project evaluation. For detailed income and expense projections, see the project sustainability plan in Annex VII.

4.36 Projected tuition prices and estimates of the number of students who will participate in each course are based on a market assessment conducted by the IDB in February 1997. The project team conducted a survey of a sample group of 70 institutions in 18 countries in Latin America. Respondents included both formal and informal microfinance practitioners. According to the survey results, the demand for microfinance training is high among practitioners. Eighty percent of the sample group responded that training is very important and that they would be willing to send staff to the training programs if available. More than seventy-five percent of the sample group reported varying amounts of expenditures for administrative and financial training in the year

preceding the survey (33% of the respondents spent at least US$10,000 for such training). More than fifty percent of the practitioners responded that they would be willing to pay up to $2,000 in tuition for a one-week course. Demand is equally high at director, middle manager, and credit officer levels. The survey results will also be useful for curriculum development, since they identify the needs of potential participants.

4.37 The consortium members will conduct more detailed and comprehensive market research in the region during the initial three months of the project, in order to adjust course curricula to meet the clients' needs, determine an appropriate tuition structure, and identify regions with high demand. The consortium will also promote the program to potential clients, in order to increase demand and generate future revenues for the program.

4.38 At present, there are 4000 microfinance-related institutions in Latin America and Caribbean region: more than 450 microfinance NGOs, 2220 credit unions, 770 formal financial institutions, and many government and international institutions. The demand for the consortium training program is estimated to be in the range of 2,000-3,500 students over three years. With extensive marketing efforts, high-quality courses, and an appropriate tuition structure, the consortium will be able to reach its target of at least 2000 clients by year three.

4.39 Another tool to enhance the consortium's sustainability is the creation of a scholarship fund. The scholarship fund will be used to support qualified students and organizations who lack the resources to pay the full tuition, and as a vehicle for channeling contributions from other donors to support students' tuition expenses in a transparent manner.

H. Project Schedule

4.40 Over three years, the program will organize ten promotional seminars, offer five training of trainer sessions, 11 basic training packages which include satellite courses, 11 sets of five module courses, and 19 special seminars. Starting in year three, tuition revenues will exceed project costs and the consortium will become financially sustainable. For a detailed chronogram of project activities, please refer to Annex 5.

I. Reports and Evaluations

1. Work plan and progress reports

4.41 Within 45 days following the date the contract is signed, the consortium should submit a work plan to the IDB, outlining the activities to be implemented during the life of the project, with specific dates and targets for its first year in operation. The plan should include: detailed cost-recovery strategies and

estimated revenues, and a detailed plan for curriculum development, market research, and promotional seminars. A work plan should be submitted to the IDB every year during the project implementation period. The logical framework annexed to this document should serve as a key management tool for the consortium.

4.42 In addition, the consortium management should submit to the IDB every six months a progress report which outlines consortium activities to date, implementation schedules for future activities, and information on course outcomes to date. Information on course outcomes will include data gathered through surveys and interviews conducted at the end of each course cycle, in order to provide specific feedback to the consortium management team on the effectiveness and impact of courses for incorporation into the following round of courses. As noted in the logical framework (Annex IX) the evaluations will include a survey of the organizations whose staff receive training to determine whether the training has had a beneficial effect on the organization and their ability to provide microfinance services. A consultant will be hired by the consortium (with approval of the IDB project team) to perform these monitoring tasks.

2. Evaluations

4.43 Annual project evaluations will focus on project management and overall performance, especially with regard to cost-recovery and financial sustainability and course effectiveness and impact. The evaluation will measure key indicators; a) technical quality of curriculum, trainers and courses, b) students' enrollments c) decentralization of course activities, and d) sustainabilty(through tuition revenues and successful fundraising), specified in the logical framework (Annex VIII) and compare them against benchmarks. Continued funding of the project will be contingent on satisfactory evaluation results. A consultant will be selected by the IDB to perform these evaluations.

J. Beneficiaries

4.44 The ultimate beneficiaries of this project are microentrepreneurs, who will obtain better financial services from microfinance institutions which are run efficiently by well-trained and informed practitioners. Since microentrepreneurs are concentrated among the low-income population, the majority of the project's ultimate beneficiaries will be low-income people, and a disproportionate share are likely to be women. Over 50% of microentrepreneurs are women, and few if any of these women have access to formal financial services. The program will promote lending and savings methodologies which have been proven to increase women's access to financial services. The direct beneficiaries of this training program are practitioners from formal and informal financial institutions which serve low-income microentrepreneurs. Direct beneficiaries include but are not limited to microfinance

practitioners, government officials, and microfinance specialists from international and bilateral organizations. Resources from the scholarship funds raised during project execution will be equitably targeted to women and men, so the consortium will be able to ensure that women practitioners benefit fairly from the program.

K. Tentative Dates

4.45 Loan Committee, August 1997
MIF Donors' Committee October, 1997

V. COMPLIANCE WITH PROJECT ELIGIBILITY CRITERIA

5.1 Financing the development of microfinance training institutions is fully consistent with the general purpose of the MIF. The project is also consistent with the criteria for grant financing under the Small Enterprise Development Facility of the MIF Agreement which establishes, among other criteria, that grants be provided for technical cooperation to non-governmental organizations and domestic financial institutions to expand the volume and range of services available for microenterprises.

VI. AVAILABILITY OF MIF RESOURCES

6.1 Funding Modality: The project is expected to be financed through a grant based on the following points: (I) all participating countries were declared eligible for all modalities of funding under the MIF by the Donors' Committee; (ii) all participating countries will comply the criteria of eligibility for obtaining grant resources at the country level.

VII. SPECIAL ISSUES

7.1 The first major challenge to the project is related to the ability of the consortium program to coordinate the activities of various members from different parts of the region. In addition, because this project is innovative, the consortium will play a new and untested role in the region. Thus, the consortium's institutional development is key to the success of this project. A strong leadership role on the part of the Executive Director at UAS is planned, especially in the initial phases of project implementation, in order to ensure that there are clear lines of accountability and channels of communication within the consortium structure. As the consortium matures, operations and management should become more decentralized, with interested consortium members playing a larger role in all aspects of the program.

7.2 The second challenge involves setting a tuition price which will attract students, yet be high enough to make the program financially sustainable. A preliminary demand survey undertaken during the project design phase indicates that there is substantial demand among microfinance practitioners for the types of courses which will be offered by the consortium. The consortium will undertake market research during the first three months of the project and, if needed, adjust the tuition structure and the product mix to more accurately respond to existing demand.

SUSTAINABILITY PLAN

The sustainability plan for the microfinance training consortium is based on projections of the project's operating costs and revenues. Tuition will be charged for all courses and in the long run will be the project's major source of income.

Table A below shows average course prices and projected numbers of students over a five year period. Tuition prices and numbers of students are projected to rise progressively over the five year period, at which point they are expected to stabilize.

Table A: PROJECTED OPERATIONAL INCOME FOR 5 YEARS
Student number/price assumption

ITEMS	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Basic course (Avg.priceUS$1,067)						
Total Income	15,000	72,000	216,000	432,000	450,000	1,185,000
Number of students*	30	120	240	360	360	1,110
Number of courses/	1	4	6	8	8	27
Module course (Avg.Price .US$495)						
Total Income	6,000	60,000	135,000	360,000	420,000	981,000
Number of students	30	300	450	600	600	1,980
Number of courses	2	20	30	40	40	132
Special seminar (Avg.Price US$90)						
Total Income	1,500	9,000	25,200	60,000	84,000	179,700
Number of students	30	180	360	600	840	2,010
Number of courses	1	6	12	20	28	77
Total Income	22,500	141,000	376,000	852,000	954,000	2,345,700
Total Students	90	600	1,050	1,560	1,800	5,110

* Projected number of students assumes that some will purchase more than one product. Tuition prices will increase gradually over the life of the project. In addition, since the curriculum will be continually updated, some repeat customers are expected.

Table B below shows projected income and expenses for the consortium over a 5-year period.It is based on the following assumption: (I) marketing costs are highest in the early stages and tend to decline over the period, while management costs rise slightly; (ii) curriculum development costs are heaviest in the beginning of the project; (iii) as training is decentralized and routinized per unit training and costs will fall;, and (iv) IDB imposed evaluation costs in years 1-3.

Table B: Operational Income and Expenses (5-year projection)

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
INCOME						
Contributions (without MIF contributions)*	**251,107**	**258,383**	**271,510**	**0**	**0**	**781,000**
UAS	**218,940**	**248,050**	**266,010**	**0**	**0**	**733,000**
Members	**32,167**	**10,333**	**5,500**	**0**	**0**	**48,000**
Income from tuition**	**22,500**	**141,000**	**376,200**	**852,000**	**954,000**	**2,345,700**
(Operational income)						
(% to total cost)	**3%**	**18%**	**40%**	**100%**	**118%**	**56%**
EXPENSES	**802,792**	**787,671**	**930,537**	**850,732**	**808,195**	**4,179,927**
Consortium management and marketing	**333,771**	**334,782**	**335,847**	**331,250**	**325,500**	**1,661,150**
Curriculum development	**207,919**	**70,644**	**35,437**	**26,602**	**25,272**	**365,874**
Training	**136,620**	**273,890**	**452,940**	**416,706**	**395,870**	**1,676,024**
Evaluation and contingency	**124,482**	**108,355**	**106,313**	**76,175**	**72,366**	**487,691**
TOTAL NET INCOME (without MIF contribution)	**(529,185)**	**(388,288)**	**(282,827)**	**1,268**	**145,805**	**(1,053,227)**
MIF Contribution	**529,185**	**554,900**	**655,915**	**0**	**0**	**1,740,000**
MIF Contribution as percentage of expenses***	**66%**	**70%**	**70%**			

* Note that the consortium will raise money for a scholarship fund from private sector donors. These contributions which are expected to be greatest in years 3-5, do not appear in the sustainability projections.

** See Table A for additional information.

*** Note that although the actual cost recovery from tuition revenues is increasing, the operational subsidy (MIF contribution to operations as percentage of expenses) increases slightly over the three years of the project because expenses are projected to rise during this period as an increasing volume of courses is offered

Note that in Table B, after considering MIF's contribution, the consortium program is projected to earn a net income in years 2 and 3, based on current assumptions about tuition revenues. Any net income that is actually earned during this period will be channeled to project activities or a scholarship fund to be established in year 2.

Logical Framework

Objective	Indicators	Means of verification	Assumptions
Goal Formal and informal financial institutions increase their capacity to provide high quality financial services to microenterprises on a self-sustaining basis.	The practitioners who attend the training courses apply their knowledge to run their organizations more efficiently and self-sustainably.	Survey of the microfinance institutions. Evaluation report.	Formal and informal microfinance institutions are interested in becoming self-sustainable. The training courses provide impact significantly on the practitioners to improve their institutions.
Purpose A sustainable training consortium program is in place (with a mix of theory and hands-on training targeting to the diverse population of the practitioners from different geographic areas.)	1) The consortium recruits more members and expands the variety of courses offered; members increase from 7 to 9 by the year three. 2)The consortium reaches both informal and formal microfinance institutions. 3) The consortium offers courses in various geographic areas of the LAC region based on the workplan. Over 40% of courses are conducted outside Mexico in year two, and over 60% of courses are conducted outside Mexico in year 3. 4) The consortium becomes self-sustainable in year three. (Tuition creates enough revenue to cover operational costs.)	1) Number of the members 2) Background data from students and analysis of demography. 3) Background data from students, Evaluation report and workplan (reach students from all the region) 4) Financial report and evaluation report	- Management team successfully coordinates activities among members and students. - Successful practical microfinance institutions and/or training institutions are interested in participating in the consortium as members - A sufficient training demand exist from both informal and formal microfinance institutions in variety of the geographical area. - Demand and cost assessment in workplan is adequate. Tuition for the courses are appropriately priced.

Output 1)A management structure is established in the consortium. 2) A successful marketing strategy is prepared and implemented. 3) A high quality curriculum and teaching materials are produced. 4) A complete cycle of training courses is created and offered to practitioners.	1) The consortium is known and well regarded in the LAC region by the year three. 2) The management structure is capable of delivering outputs according to yearly benchmarks of the workplan. 3) A scholarship fund is established by year two. After end of year three, the scholarship fund balance is sufficient to provide scholarships to 10% of year four students. 4) The consortium develops a variety of high quality courses to satisfy students with diverse backgrounds. 5)Microfinance trainers from various countries of LAC including South, Central, Andean and Caribbean region are trained. The Consortium creates or targets at high demand areas based on the market research. 6) Program trains at least 2000 students by year three. 7) 80% of the courses are offered on schedule based on workplan. 8) Quality of the courses meet various demand from the participants	1)Survey and evaluation reports. 2) Progress reports 3) Scholarship account information 4) Curriculum evaluation, Evaluation reports, quality standard and financial reports and workplans. 5) Evaluation reports and workplans and market analysis reports 6)Evaluations and number of the students 7) Progress reports 8) Evaluation reports both from students/participants and consultants (the third party.)	- Trainers (consultants) who can offer high quality course responding demand from the participants are available. - The donors are willing to fund for the scholarship, if the courses are appropriate. - Students are willing to apply for the scholarship fund - Highly qualified curriculum is developed and provided on schedule. -Evaluation survey results show that institutions who sent staff to training courses feel their ability to provide microfinance services has been enhanced. - There are diversified needs from the different audience.
Activities All the project activities are successfully conducted: recruiting and supervision of consultants, scholarship management, coordination among the members, marketing and promotion, database development, curriculum development and variety of course offerings in all over the Latin American region.	1)The consortium uses budgeted funds adequately to conduct each activity. 2) Each activity is successful conducted on schedule. 3) Operational revenue (tuition) is sufficiently earned from both conventional and unconventional students. 4) Both participants and members are satisfied with the curriculum and courses.	Workplans, financial reports, progress reports and evaluation reports	- The management team is capable of conducting activities described in the document. - The income and cost estimation is appropriate. - The workplan including course schedule, course curriculum and demand estimation (student numbers, tuition, geographic are etc.) are appropriate.

LEGIII/RG-8416

PROPOSED RESOLUTION

REGIONAL. NONREIMBURSABLE TECHNICAL COOPERATION FOR THE MICROFINANCE TRAINING CONSORTIUM PROGRAM

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the Instituto Latinoamericano de Microfinanzas, Sociedad Civil, a regional consortium integrated by Universidad de Anahuac del Sur of the Republic of Mexico and six microfinance institutions located in Bolivia, Chile, Dominican Republic, Guatemala and Mexico, and to take such additional measures as may be pertinent for the execution of the plan of operations referred to in Document MIF/AT- with respect to a nonreimbursable technical cooperation for the microfinance training consortium program.

2. That up to the sum of US$1,740,000, or its equivalent in other convertible currencies, is authorized for the purposes of this resolution, chargeable to the Small Enterprise Development Facility of the Multilateral Investment Fund.

3. That the above-mentioned sum is to be provided on a nonreimbursable basis.