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MULTILATERAL INVESTMENT FUND

REGIONAL
BOLIVIA, COLOMBIA, HAITI, NICARAGUA, AND PERU

**MOBILIZATION OF REMITTANCES THROUGH MICROFINANCE
INSTITUTIONS**

(TC-RG-M1003)

DONORS MEMORANDUM

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INFORMATION AVAILABLE IN THE MIF ARCHIVES

Draft Operating Regulations. Include the terms of reference for the program director and the technical experts to be hired for the program.

Financial and institutional evaluations of each participating MFI and evaluations of the Centro ACCION Microempresarial (CAM) and ACCION International (AI)

Financial statements, CAM – Colombia

CAM bylaws

Minutes of the Committee on Environment and Social Impact

ABBREVIATIONS

AI	ACCION International
BANCOSOL	Banco Solidario, S.A.
CAM	Centro ACCION Microempresarial
FAMA	Fundación para el Apoyo a la Microempresa [Microenterprise support foundation]
MFI(s)	Microfinance institution(s)
MIBANCO	Banco de la Microempresa, S.A.
MIF	Multilateral Investment Fund
SOGESOL	Société Générale Haïtienne de Solidarité, S.A.
USAID	United States Agency for International Development

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EXECUTIVE SUMMARY

Executing agency:	Centro ACCION Microempresarial Foundation – Colombia (CAM)
Beneficiaries:	The direct beneficiaries of the program will be the low-income families and the nearly 1.3 million clients using the financial services offered by the following five microfinance institutions (MFIs) in Latin America and the Caribbean, which belong to the ACCION International (AI) network: Banco Caja Social, in Colombia; Fundación para el Apoyo a la Microempresa (FAMA), in Nicaragua; Banco Solidario, S.A. (BancoSol), in Bolivia; Mibanco, in Peru; and Société Générale Haïtienne de Solidarité, S.A. (SOGESOL), in Haiti.
Project objectives:	The overall objective of the proposed program is to improve the socioeconomic status of clients of five MFIs in Bolivia, Colombia, Peru, Haiti, and Nicaragua through the productive use of remittances they receive from abroad. The purpose of the project is to efficiently and sustainably expand the participation of senders and recipients of remittances in the formal banking system.
Description:	<p>The program will be executed in two (2) phases. The goal of the first phase, <i>Business Plan Development</i>, is to gain a better understanding of the local remittance markets and identify a profitable strategy for each MFI to handle remittance flows. This phase consists of two components: (i) analysis of the MFI remittance market; and (ii) preparation of business plans.</p> <p>After the business plans are approved, the MFIs will move on to the second phase, <i>Business Plan Implementation</i>, which consists of the following four components: (i) improvement of the MFIs' technology infrastructure; (ii) development of microfinance products based on remittance flows; (iii) agreements in the remittance generating markets; and (iv) dissemination of the remittance transfer model and outreach.</p>

Amount and source:	Modality:	Nonreimbursable
	MIF Facility III-A:	US\$ 824,770 (51%)
	Local counterpart (MFIs):	US\$ 397,970 (24%)
	USAID counterpart funds:	<u>US\$ 397,260 (25%)</u>
	Total:	US\$1,620,000 (100%)
Execution schedule:	Execution period:	36 months
	Disbursement period:	42 months
Special contractual clauses:	<p>As conditions precedent to the first disbursement, the executing agency will submit evidence, to the Bank's satisfaction, that: (i) the consultative committee has been established and its bylaws approved and the program executing unit has been set up; (ii) the project's Operating Regulations have entered into force; (iii) the contributions from the United States Agency for International Development (USAID) have been approved; and (iv) the program director has been hired based on terms of reference previously agreed upon with the Bank.</p> <p>Special disbursement to begin program activities: Conditions precedent (i), (ii), and (iii) notwithstanding, once the technical cooperation agreement between the executing agency and the Bank has entered into force and the general conditions precedent to the first disbursement established in the General Conditions have been fulfilled, the Bank may disburse up to the equivalent of three months' salary (US\$10,500) for the executing agency to hire the program director.</p> <p>As a special condition for execution, the executing agency will present to the Bank, within the first three months after signature of the technical cooperation agreement with the Bank, the work plan for the first year of program execution, agreed upon in advance with USAID.</p> <p>Recognition of costs: The Bank may recognize up to US\$20,000 equivalent in costs incurred by the executing agency in the program as of 23 March 2004, provided the requirements established in the technical cooperation agreement have been fulfilled (see paragraph 4.8).</p>	
Exceptions to Bank policy:	None.	
Environmental and social review:	At its meeting on 6 February 2004 (CESI 05-04), the Committee on Environment and Social Impact (CESI) reviewed this operation, which does not involve negative environmental risks and has positive	

social impacts given that it supports lower-income individuals in the participating countries. The CESI made no specific recommendations to be incorporated into the program.

**Coordination
with other
donors:**

Other cooperation agencies, and USAID in particular, have been aware of efforts to develop the proposed project. In a communication dated 3 March 2004, USAID confirmed its intention to contribute US\$397,260, primarily to finance a number of consulting activities that will be carried out in the United States and the participating countries.

I. BACKGROUND AND JUSTIFICATION

A. Remittances in the region

- 1.1 Latin America and the Caribbean have a growing remittance market, comprised of money that immigrants send back to their countries of origin. Remittance flows to the region reached US\$38 billion in 2003, outstripping foreign direct investment and foreign government assistance combined by 50%. Every year, it is estimated that 150 million separate transactions are conducted involving between US\$200 and US\$300 per remittance to 20 million families. In the countries of interest to this project, the remittance volumes for 2003 were as follows: Colombia, US\$3.067 billion; Peru, US\$1.295 billion; Haiti, US\$977 million; Nicaragua, US\$788 million; and Bolivia, US\$340 million.
- 1.2 Studies conducted by the Multilateral Investment Fund (MIF) in Central America and Ecuador show that approximately 75% of remittances were transacted through money-transfer companies such as Western Union, Money Gram, Vigo, and other local competitors, such as currency exchanges,¹ which, although offering quick, dependable service, do not directly route transferred funds into the financial system. One of the main obstacles to the economic development of the low-income population, and small business and microenterprise in particular, is their lack of access to financial services, including access to credit and savings products to finance their business activities.
- 1.3 It is worth noting that the part of the population that currently has a relationship with financial institutions such as banks, savings banks, and microfinance institutions (MFIs) also uses money-transfer companies. The need to go to two types of entities for these services stems from the fact that the MFIs are not set up to handle this new product, remittances. They therefore miss out on the multiplier effect that channeling remittances through the financial system would generate. Currently, the MFIs view their participation in the remittance market as a strategy for attracting new clients, diversifying their services by cross-selling microfinance products to families receiving remittances, and strengthening their financial base by channeling remittances into savings, productive or housing investments, and other local economic development alternatives. If the MFIs were able to attract 10% of the current remittance market, they would have access to US\$3 billion per year, which could be used to give microenterprises and low-income individuals greater access to financial services.

B. Incorporating remittances into the formal financial system

- 1.4 Microfinance institutions (MFIs) have the advantage over conventional financial entities when it comes to offering financial services to remittance recipients,

¹ The cost associated with transfers to Latin America and the Caribbean has dropped significantly: in 2000, the cost was 15%, by 2003 it was 8%, and it is expected to drop to 3% by 2010.

because they are the primary savings and loan providers for this segment: microentrepreneurs and low-income individuals. In order to efficiently and competitively convert remittance recipients into regular bank clients, MFIs need to adopt the following strategies: (i) obtain more information on the opportunities for attracting remittances in the sending market and for accepting and using them in the receiving market; (ii) offer a remittance distribution service and/or establish strategic alliances with banks or money-transfer companies in the issuing countries to serve as intermediaries in the process; and (iii) set up a technology platform for distributing remittances. These strategies would enable the MFIs to develop products that make money transport more secure (debit cards) and introduce savings mechanisms (bank books and deposits) and loan products associated with remittances (mortgage, home improvement, and microenterprise loans). The MFIs would also be able to suggest to clients sending remittances the possibility of dictating the way in which the money is used.

C. Program rationale and approach

- 1.5 The proposed project seeks to take advantage of the catalytic effect of MFI networks in order to test sustainable new methodologies for mobilizing remittances and linking them to microfinance products. The ACCION International (AI) network provides a good opportunity for implementing a remittance mobilization program that involves MFIs in the region in a sustainable manner. Under the coordination of the Centro ACCION Microempresarial (CAM), AI's affiliate in Latin America and the Caribbean, the proposed project will bring together five AI affiliates: BancoSol, in Bolivia; FAMA, in Nicaragua; Banco Caja Social, in Colombia; Mibanco, in Peru; and Sogesol, in Haiti. These are the institutions within the AI network that have the most experience providing remittance delivery services. It has also been confirmed that all these entities are authorized to receive remittances directly or indirectly. Because FAMA, in Nicaragua, is an unregulated entity, it is not authorized to attract deposits. The program will therefore support it in the development of remittance-related credit products. In the case of Haiti, there are three entities connected: Sogebank, as a commercial bank; Sogesol, as an entity that manages the microcredit portfolio of Sogebank and is therefore not authorized to attract savings deposits; and Sogexpress, which receives remittances. Sogesol will therefore establish the agreements necessary to bring services related to the mobilization of remittances to its clients.
- 1.6 Pilot initiatives for remittance mobilization tried by the MIF indicate that MFIs that are part of a network can make use of information on the remittance market, increase their negotiating power vis-à-vis financial institutions in issuing countries, and achieve economies of scale in the application of technology platforms. While this program is aimed at mobilizing remittances from the United States, because this is the main generating market for the participating countries, and from Argentina in the case of Bolivia, program operations will be used to replicate

microfinance products in markets in other countries. By executing the proposed project in a network, the expectation is that as expertise is acquired, it will be leveraged to strengthen activities in the various countries, enabling the participants to work together and learn from each other.

D. MIF and Bank strategy

- 1.7 The program is consistent with the guidelines set forth in the MIF remittance business plan (document MIF/GN-73), insofar as it seeks to increase the involvement of formal financial institutions and develop new financial mechanisms for plowing part of the capital amassed by emigrants into productive investments. The program addresses one of the MIF's goals in the area of support for remittance mobilization: to promote the most productive use of remittances for families and their communities.

II. PROGRAM DESCRIPTION

A. Objectives

- 2.1 The overall objective of the program is to improve the socioeconomic status of MFI clients in Bolivia, Colombia, Peru, Haiti, and Nicaragua through the productive use of the remittances they receive from abroad. The purpose of the program is to efficiently and sustainably expand the participation of senders and recipients of remittances in the formal banking system.

B. Description and components

- 2.2 The program will be executed in two (2) phases. The objective of Phase 1, business plan development, is to gain a better understanding of the local remittance market and identify a profitable strategy for each MFI to handle remittance flows. This phase consists of two components: (i) analysis of the MFI remittance market; and (ii) preparation of a business plan for each MFI. After the business plans are approved, the MFIs will move on to Phase 2, business plan implementation, which consists of the following components: (i) technology infrastructure upgrades for remittances management; (ii) development of microfinance products based on remittance flows; (iii) agreements in remittance generating markets; and (iv) dissemination of the remittance transfer model and outreach. The activities requiring financing in each component vary according to the MFIs' needs and readiness.

First phase: *Business plan development*

1. Component 1: Analysis of the MFI remittance market (MIF: US\$180,900; Local counterpart: US\$65,770; USAID: US\$134,454)

- 2.3 The purpose of this component is to improve the MFIs' understanding of their potential market in both the place where remittances are generated and the place where they are received. In the receiving markets, consultants will study and identify: (i) the potential demand by MFI; (ii) the economic profile and the preferences of potential clients; (iii) the main local competitors; and (iv) the positioning of product supply by MFI. As part of the project, AI will carry out two specific consulting activities—for Sogesol, in Haiti, and FAMA, in Nicaragua—to develop a methodology and provide quality assurance for market research that will identify the financial expectations, needs, and preferences of clients who receive remittances.
- 2.4 In the remittance generating markets, consulting activities will be performed to: (i) develop a methodology for conducting market research that includes: a profile of the generating market and needs and preferences vis-à-vis financial products tied to remittances. AI will undertake this task, which will entail developing research instruments, surveys, and guidelines and techniques for facilitating focus groups; defining parameters and samples; analyzing results; and merging them with the findings of the market studies conducted in each country; (ii) profile the generating market and the products for which there is demand (including a consulting activity to convene focus groups and administer surveys); and (iii) identify potential partners in the markets, based on AI's support activities with money-transfer companies and/or financial institutions that would make it easier to link remittance services and microfinance products.
- 2.5 BancoSol, of Bolivia, has requested that this activity be conducted in Argentina, which is its largest source of foreign remittances. The other four participating MFIs will conduct this study in the United States market. Each MFI will provide an analysis of the legal considerations related to licenses and authorizations, taxes, rules for preventing money laundering, and banking regulations, including bank clearing regulations for microfinance banks.
- 2.6 This component will generate the following outputs: (i) four studies of the receiving markets in Colombia, Nicaragua, Peru, and Haiti; (ii) four studies of the issuing market that has immigrants from these four countries; and (iii) one study of the issuing market in Argentina, which has Bolivian immigrants. The MFIs will thus have a better understanding of the financial uses, needs, and preferences for remittance-associated products of remittance recipients and immigrants. These studies will also generate information on the potential demand, the chief competitors, and the largest money-transfer companies in each market.

- 2.7 The activities under this component will include monitoring compliance by the sending and receiving institutions with the regulatory framework that is part of the United States “Patriot Act,” which governs financial activities and the possible connection between them and money laundering and terrorist activities.

2. Component 2: Development of a business plan for each MFI (MIF: US\$10,000; Local counterpart: US\$15,000; USAID: US\$3,010)

- 2.8 By developing business plans to launch financial products related to the remittance industry, the MFIs will be able to set revenue, cost, and profit-margin projections, as well as institute the structure and procedures needed to sustainably market such products. A consultant will be hired to analyze and evaluate each MFI’s business plan. (The corresponding terms of reference are annexed in the Operating Regulations.) As part of this component, consulting activities will also be performed to assess the technological needs of these institutions. This assessment will give each institution a better idea of the upgrades or new acquisitions it will need to make during the second phase in order to ensure the success of the program.
- 2.9 This component will produce country-specific business plans that will serve as tools to help each institution assess the profitability of these financial products and decide whether offering them is consistent with the institution’s market position. In addition, diagnostic tools will be developed to assess the technological needs of each institution.
- 2.10 At the end of phase 1 and based on the business plan recommendations, the board of directors of each MFI may decide whether or not to continue with phase II of program implementation. If an MFI decides not to continue, the amount of the MIF contribution remaining for that MFI will be cancelled. In any case, the market studies performed can benefit other MFIs.

Second phase: *Business plan implementation*

1. Component 1: Improvement of technology infrastructure (MIF: US\$143,620; Local counterpart: US\$93,900)

- 2.11 Technology infrastructure refers to the internal capacity of the MFIs and the extent to which they are able to interface with their branches and those of affiliated institutions, which will become remittance distribution centers. As a result of this component, the MFIs will be able to implement the technology platform necessary to facilitate: (i) the development of products for the target market and their tie-in with transfers; (ii) management of remittance operations, internal control, automation, and the capacity to handle a larger volume of transactions; and (iii) the development of internal distribution networks through MFIs, nongovernmental organizations, or cooperatives.

- 2.12 This component calls for: (i) purchasing software and hardware based on the training received by each MFI; (ii) upgrading existing platforms or developing new platforms for each institution; (iii) providing training in the use of information systems; and (iv) performing consulting work to strengthen internal and external control procedures (money laundering and compliance with remittance handling laws). As a result of the component, the technology platforms of the five MFIs will be strengthened and the upgrades they need in order to develop financial products for the target market and link them to remittances will be made.

2. Component 2: Development of microfinance products based on remittance flows (MIF: US\$208,500; Local counterpart: US\$117,050; USAID: US\$53,720)

- 2.13 The purpose of this component is to deploy financial products related to the reception and use of remittances. Consulting activities planned under this component are aimed at tying remittance operations to savings and loan products and helping the MFIs develop products that give them comparative advantages over conventional money-transfer companies. Activities will be pursued to: (i) market financial products in preselected cities in the United States; (ii) market and promote financial products in each local market;² (iii) conduct customer satisfaction surveys in the United States and in each local market using focus groups; and (iv) design and develop financial product(s) in the receiving markets. These consulting activities include training for the officers and managers of the MFIs.
- 2.14 As a result of this component, financial products for the target market will be developed that make it easier to apply remittances towards investment or savings goals. Marketing strategies will also be developed for each local market and the United States.

3. Component 3: Agreements in the remittance generating markets (USAID: US\$196,076)

- 2.15 This component, which the United States Agency for International Development (USAID) will finance, will help the MFIs establish institutional agreements with money-transfer companies and launch financial products for immigrants in key markets in the United States and the relatives to whom they send remittances. To this end, consulting activities will be pursued to: (i) support the final phase of negotiations and implement strategic alliances with potential partners (money-transfer companies and/or financial institutions) that would make it easier to link remittance services and microfinance products; (ii) design and develop financial

² According to studies performed by ACCION, the potential products to be analyzed and evaluated through the project could include: (i) *savings products*: direct deposit of remittances in savings accounts and management of funds sent, scheduled savings accounts; (ii) *credit products*: loans for home buying or improvement; (iii) *direct payment for services or insurance*: payments for services or insurance, linkage of credit products with remittances.

product(s) in the issuing market and customize and test the products; and (iii) help the MFIs establish ties with community organizations and immigrant associations in order to promote the new products.

- 2.16 Contacts and negotiations will be directly arranged by each MFI, with the support of the AI network and experts versed in financial issues and remittances in the United States market. The participating MFIs will be encouraged to form alliances in order to create economies of scale and enhance their negotiating capacity.
- 2.17 As a result of this component, each MFI will establish agreements with at least one partner in each target market and with associations of immigrants to promote the products development. In addition, a financial product pilot will be developed in the issuing market to channel remittances towards savings and or investment in markets in the United States.

4. Component 4: Dissemination of the model and outreach (MIF: US\$32,500; Local counterpart: US\$11,250)

- 2.18 The purpose of this component is to codify and disseminate the results and best practices achieved by the participating MFIs within and beyond the AI network. This will encourage MFIs in the region to branch into the remittance industry, which will lead to an increase in the number of low-income individuals actively participating in the formal financial system. The model will be propagated by: (i) conducting exchange visits among network members to strengthen cross-learning; (ii) disseminating experiences and achievements in a publication; and (iii) convening annual meetings to create forums for discussing experiences and innovations and presenting results. In addition, there are plans to post papers documenting the lessons learned from the program on the MIF Web page that forms part of the monitoring system for the remittance cluster. The results of this component will serve as tools for identifying and disseminating the best practices that emerge from the program.

III. COST AND FINANCING

A. Cost

- 3.1 The total budget of the program is US\$1,620,000 (100%), of which the MIF will contribute US\$824,770 (51%) in nonreimbursable funds. The MFIs will contribute US\$393,970 (24%) in local counterpart funds, at least 46% of which will be in cash. A cash contribution of US\$397,260 (25%) made by USAID will be used to finance the activities to be carried out by AI under the generating market portion of the first component, as well as the third component of phase two, and to cover part of the local counterpart cash contributions for FAMA, in Nicaragua, and Banco Caja Social, in Colombia. The in-kind contribution from CAM and the participating

MFIs will cover the cost of their own technical and administrative staff as well as part of the cost of the information systems and training and technical assistance services. MIF resources will primarily be used to finance market studies in the remittance generating and receiving markets, the development of new products, and the salary of the project director and coordination expenses.

Table 1: Project budget (in U.S. dollars)

Description		MIF	MFIs	USAID	TOTAL	%
I.	Phase 1	190,900	80,770	137,464	409,134	25
1.	Analysis of the MFIs' remittance market	180,900	65,770	134,454	381,124	23
2.	Development of a business plan for each MFI	10,000	15,000	3,010	28,010	2
II.	Phase 2	384,370	222,200	249,796	856,366	53
1.	Improvement of technology infrastructure	143,620	93,900	0	237,520	15
2.	Development of microfinance products	208,250	117,050	53,720	379,020	24
3.	Agreements in remittance generating markets	0	0	196,076	196,076	12
4.	Dissemination and outreach	32,500	11,250	0	43,750	3
III.	Project management	162,000	95,000	10,000	267,000	16
IV.	Evaluation and audits	37,500	0	0	37,500	4
V.	MIF remittance cluster monitoring	30,000	0	0	30,000	1
	Contingencies	20,000	0	0	20,000	1
Total		824,770	397,970	397,260	1,620,000	100%
%		51%	24%	25%	100	

- 3.2 Program sustainability will be achieved inasmuch as only MFIs that have prospects of obtaining profitable margins in the transfer of remittances will be supported. Technical viability is ensured provided the MFIs are able to reach the remittances channeling targets proposed in the logical framework, keeping financial and operational indicators within ranges acceptable in the microfinance industry, as established in the Operating Regulations. Moreover, the beneficiaries are expected to use the MFI services to the extent that the remittance transaction fees are competitive with those of traditional money-transfer companies.

IV. EXECUTING AGENCY AND MECHANISM

A. The executing agency

- 4.1 The Centro ACCION Microempresarial (CAM) is a private, nonprofit organization that was founded in 1992 in Colombia by ACCION International (AI).³ Its mission is to give microentrepreneurs and low-income individuals access to financial services in order to reduce unemployment and poverty. The advantages of having CAM execute this program can be summarized as follows: (i) It has over 10 years of experience supporting MFIs in Latin America and the Caribbean by providing short- and long-term technical assistance; (ii) It has more than 40 microfinance specialists and resident advisers in various countries; (iii) It has effectively administered technical assistance projects with various donor agencies, including USAID, the Inter-American Development Bank, the World Bank, and other private donors and executed one of the most successful MIF training projects for microentrepreneurs; and (iv) It has valuable experience in evaluating, selecting, installing, and monitoring software applications for MFIs.
- 4.2 The MFIs that will serve as project coordinators in each country are: Banco Caja Social, in Colombia; FAMA, in Nicaragua; BancoSol, in Bolivia; Mibanco, in Peru; and SOGESOL, in Haiti. As members of the AI network, these institutions have more than 1.3 million active clients combined, 65% of whom are women. These MFIs are leaders in the microfinance markets in their respective countries and their financial and operational indicators are acceptable by regional standards (see Operating Regulations).

B. Execution mechanism

- 4.3 CAM will be responsible for executing the program and will coordinate with the MFIs in the five countries. AI will provide technical support for program activities as indicated in the component descriptions. Two (2) entities will be created to manage the project: (i) a **consultative committee**, which will have ultimate decision-making authority for the program and will be composed of CAM's Manager, the program director, and a representative from each of the five participating institutions; and (ii) an **executing unit**, which will be composed of the program director, who will work full time, one (1) administrative accounting assistant, and one (1) secretary.

³ AI has 30 years' experience in the development of microcredit methodologies through which its network of affiliates has been able to grant loans to over 2.3 million individuals. AI is a lead institution in the design and development of new products and services for microentrepreneurs and has experience in the design and execution of market studies and the incorporation of innovations to make microfinance institutions more efficient.

- 4.4 The **consultative committee** will be responsible for: (i) hiring the program director; (ii) reviewing budget performance and approving reallocations; (iii) approving any changes to the Operating Regulations; (iv) approving progress reports submitted to the Bank; (v) coordinating promotional and outreach activities; and (vi) approving activities to be pursued jointly by the participating MFIs. The committee will meet twice a year and will be chaired by CAM's Manager.
- 4.5 Each MFI will assign a local coordinator or representative to liaise with the consultative committee and coordinate program activities within his or her institution. The local coordinators will report to the program director and will be responsible for: (i) consolidating semiannual reports; (ii) obtaining approval on the business plans from the board of directors and from the MFI manager on disbursements and sending the reports to the program director at the executing unit; (iii) drafting an annual work plan and sending it to the program director at the executing unit; (iv) supervising consultants hired locally; and (v) preparing the program budget for his or her MFI.
- 4.6 The **executing unit**, under the responsibility of the **program director**, will perform the following activities: (i) coordinating program execution; (ii) administering program resources in accordance with Bank and MIF rules; (iii) drafting an annual work plan; (iv) approving and transacting the procurement of goods and services needed for execution, in accordance with the Bank rules and procedures that apply to MIF projects; (v) submitting administrative and technical reports to the Bank and the consultative committee; (vi) submitting financial statements that have been audited by an independent firm; (vii) maintaining an administrative monitoring system for the program based on the indicators set forth in the logical framework (Annex I); and (viii) promoting and disseminating the program. These duties are described in greater detail in the Operating Regulations.
- 4.7 For the **first phase** of the project, the participating MFIs will develop a common framework for developing their business plans. The MIF will hire a consultant to analyze and evaluate each MFI's business plan. The MFI boards will be responsible for approving the respective business plans and submitting them, duly substantiated, to the Bank, in order to proceed with the second phase.
- 4.8 The bank may recognize expenses incurred starting from 23 March 2004 by the program executing agency against local counterpart resources to be provided by Banco Caja Social, up to the equivalent of US\$20,000, to conduct demand studies in the local market.
- 4.9 In the case of Haiti, Sogesol will establish an agreement with Sogexpress to enable direct payment for microcredit products through the remittances it receives and for the promotion of services to potential clients in the United States. The savings products will be promoted through Sogebank since, as a bank, it is authorized to attract deposits from the public.

- 4.10 **For the second phase**, a local consultant or company specializing in the respective markets will be hired to perform the planned consulting activities. The **third component** will be financed with USAID and local counterpart funds, which will cover, inter alia, the costs associated with hiring AI to perform the activities described. Throughout the project, the financial and operational indicators of each MFI will be monitored every six months. The MFIs that currently have indicators outside the benchmark are expected to show a trend towards improvement or at least no unfavorable deviation in the three years of project execution. If any of the MFI's current indicators worsen, the Bank will decide whether to suspend disbursements unless the MFI implements an improvement plan (see Operating Regulations).

C. Program readiness

- 4.11 For a year and a half, AI has been pursuing activities preparatory to a remittance project with the goal of linking remittances to financial services. As a point of departure, CAM conducted a market study in Bolivia and the United States that identifies the financial needs of immigrants and their families, their investment goals, and the savings and loan products that could help them meet these goals. In addition, terms of reference have been developed for the project director and for the main consulting activities. The participating MFIs have undertaken to assign a staff member to be responsible for coordination with CAM for execution of this project.

D. Execution and disbursement periods

- 4.12 The proposed program will have an execution period of 36 months and a contribution disbursement period of 42 months. In accordance with the estimated requirements for execution, a revolving fund equal to 10% of the MIF contribution will be created and managed as a separate account. Disbursements will be made individually to the MFIs such that delays in one country do not halt progress in another.
- 4.13 USAID will sign a contract with ACCION International for execution of the proposed activities and will therefore disburse funds directly thereto.

E. Procurement and contracting

- 4.14 **Procurement.** The selection and procurement of the consulting services, equipment, and materials called for in the proposed program will be governed by applicable Bank and MIF procedures and policies. In addition, it is suggested that the Bank evaluate contracts for consulting services valued at less than the equivalent of US\$30,000 on an ex post basis. However, the first two consulting contracts will be reviewed by the Bank ex ante. Subsequent consulting activities will be evaluated ex post, as mentioned above, in accordance with applicable Bank policies.

V. MONITORING AND EVALUATION

A. Monitoring

- 5.1 The Bank's Country Office in Colombia will be responsible for supervising and overseeing the project, monitoring compliance with contractual conditions, processing disbursement requests, and receiving audited financial statements. CAM will be responsible for gathering and analyzing the information needed to continually monitor the indicators set forth in the project's logical framework (Annex I). The indicators relating to remittances by MFI will be adjusted during the first three months of the project. Quarterly status reports will be presented covering the MIF-financed activities as well as those supported by USAID, in accordance with the Bank's standard reporting requirements.

B. Evaluations

- 5.2 Using funds provided under the heading of evaluation and audits, the Bank will finance two (2) consulting activities for the midterm and final program evaluations. The midterm evaluation will be conducted when at least 50% of the MIF contribution has been disbursed. The purpose of the evaluation will be to verify the performance of activities, using the indicators in the logical framework as a reference; the use of resources; the delivery of products and services; and the achievement of objectives in terms of the impact on the beneficiaries and other players involved. The evaluation will analyze: (i) the extent to which MFIs are accepted as remittance service providers in the receiving markets; (ii) the feasibility of developing products that are well received by MFI clients; (iii) progress made in negotiations with money transfer companies; and (iv) the financial and operational ability of the MFIs to continue to participate in the project.
- 5.3 The final evaluation will be conducted when 95% of the Bank's contribution has been disbursed and will focus on: (i) the number and size of remittances successfully sent through the participating MFIs; (ii) the feasibility of introducing innovative financial products that can be replicated by MFIs in other countries; and (iii) lessons learned and best practices identified. To monitor the program within the cluster, the MIF can draw directly on a set-aside of US\$30,000.

VI. PROGRAM BENEFITS AND RISKS

- 6.1 **Program benefits.** The program will help draw remittance recipients in the five participating countries into the formal banking system through the MFIs' efforts to develop financial products that are tailored to the needs of these individuals. In the long term, the program seeks to channel funds sent by emigrants through the formal financial system, providing greater savings and investment opportunities in the receiving countries and, by extension, revitalizing local economies.

- 6.2 **Beneficiaries.** The direct beneficiaries of the program will be the low-income families and established MFI clients who will channel their remittances through the participating MFIs: Banco Caja Social, in Colombia; FAMA, in Nicaragua; BancoSol, in Bolivia; Mibanco, in Peru; and SOGESOL, in Haiti.
- 6.3 **Risks.** There are two potential risks, related to: (i) trends in the remittance market and the generation of profit margins; and (ii) the financial progress of the MFIs. The first risk has to do with a significant drop in the price of sending remittances from traditional money transfer companies, which could make it difficult for the MFIs to attract their clients. This risk is mitigated with the support offered by the project to develop new financial products, in savings and credit, that address clients' needs. The second risk is related to the possibility that the MFIs' operating and financial indicators could worsen during program execution. These indicators will be monitored on a semiannual basis and, because the MFIs are members of a network like ACCION International, they have access to experts in the sector who can support them with any improvements they might need.

VII. SOCIAL AND ENVIRONMENTAL CONSIDERATIONS

- 7.1 The Committee on Environment and Social Impact (CESI) reviewed the proposed operation at its meeting on 6 February 2004 (CESI 05-04). The operation does not entail negative environmental risks and has positive social effects given that it support low-income individuals in participating countries. The CESI did not make any specific recommendations to be incorporated into the program.

LOGICAL FRAMEWORK
TC-RG-M1003 MOBILIZATION OF REMITTANCES THROUGH MICROFINANCE INSTITUTIONS

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
GOAL			
The overall objective of the program is to improve the socioeconomic status of the clients of microfinance institutions (MFIs) in Bolivia, Colombia, Peru, Haiti, and Nicaragua through the productive use of remittances they receive from abroad.	At five years from the start of the project: MFI clients have access to a greater range of financial services aimed at helping them make productive use of their money and improving their lives.	<ul style="list-style-type: none"> Ex post evaluation 	<ul style="list-style-type: none"> The macroeconomic outlooks in the participating countries do not undergo any significant changes.
PURPOSE			
To efficiently and sustainably expand the participation of senders and recipients of remittances in the formal banking system.	At 36 months from the start of the project: <ul style="list-style-type: none"> The volume and number of remittances processed by the MFIs has increased by at least 25%. Each MFI has launched at least one profitable financial product associated with the mobilization of remittances. Between 15% and 20% of the MFIs' remittance clients have taken advantage of new financial services. 	<ul style="list-style-type: none"> Quarterly program management reports Midterm and final evaluations Equipment and software installed and in service 	<ul style="list-style-type: none"> The MFIs remain solvent and maintain acceptable profit margins. Remittance flows continue at present rates. Factors external to the MFIs do not affect the remittance industry.
COMPONENTS			
PHASE 1: Action plan development			
1. Analysis of the MFI remittance market Objective: To gain an understanding of the remittance industry and its potential, in order to develop business plans	At six months from the start of the project: <ul style="list-style-type: none"> A minimum potential demand has been identified in the MFI market. 	<ul style="list-style-type: none"> Consultant reports Legal report 	<ul style="list-style-type: none"> The legal framework of each country enables the MFIs to process remittances on a sustainable basis.

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<ul style="list-style-type: none"> At least one potential partner (money-transfer company or financial institution) willing to form a strategic alliance has been identified per MFI. Each MFI has confirmed that it is legally authorized to handle remittances. 	<ul style="list-style-type: none"> Market research methodology developed by ACCION International (AI) 	
<p>2. Development of a business strategy for each MFI</p> <p>Objective: To develop a (strategic and operational) business plan for each MFI for the remittance market and to determine the institutions' needs with regard to software for mobilizing remittances.</p>	<p>At eight months from the start of the project:</p> <ul style="list-style-type: none"> Each of the five MFIs has prepared a business plan that indicates the feasibility of its entrance into the remittance market, including an operational strategy and financial projections. Each MFI has selected at least one remittance generating market in the United States—or in Argentina, in the case of BancoSol—and has identified a money-transfer company or a transfer mechanism and a financial product. 	<ul style="list-style-type: none"> Consultant reports Business plans for each of the participating MFIs 	<ul style="list-style-type: none"> The market studies confirm that remittances and related financial products have the potential to be an important source of business.
PHASE 2: Action plan implementation			
<p>1. Improvement of technology infrastructure</p> <p>Objective: To identify and develop the technology platform that is best able to facilitate: (i) the development of products for the target market and their tie-in with transfers; (ii) management of remittance operations, internal control, automation, and the capacity to handle a larger volume of transactions; and (iii) the development of internal distribution networks through MFIs, nongovernmental organizations, or cooperatives</p>	<p>By project completion:</p> <ul style="list-style-type: none"> The interface system that connects the remittance system to the information system of each MFI is in place. The MFIs have the information systems needed to process remittance products efficiently and securely. Employees involved in remittance control and operations process have received training in the use of the platform. 	<ul style="list-style-type: none"> Consultant reports and contracts Results of the training course evaluations Equipment and software in service Midterm and final program evaluations 	<ul style="list-style-type: none"> The MFIs remain solvent and maintain acceptable profit margins. Remittance flows continue at present rates. Factors external to the MFIs do not affect the remittance industry.

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<ul style="list-style-type: none"> • FAMA Nicaragua: A technology platform for managing and processing remittances has been acquired. 		
<p>2. Development of microfinance products</p> <p>Objective: To deploy financial products associated with the deposit and use of remittances.</p>	<p>At 24 months from the start of the project:</p> <ul style="list-style-type: none"> • At least one savings and/or loan product related to remittances has been sustainably deployed by each MFI. 	<ul style="list-style-type: none"> • Product satisfaction survey • Financial report from each entity 	<ul style="list-style-type: none"> • Changes in the behavior of demand • Strong competition
<p>3. Development of remittance-generating markets</p> <p>Objective: To establish institutional agreements between the entities that transfer remittances and the MFIs and to develop financial products in the remittance-generating market</p>	<p>At 18 months from the start of the project:</p> <ul style="list-style-type: none"> • Agreements have been signed with at least one potential partner in each target market. • Agreements with community organizations and immigrant associations have been established to promote the new products. <p>At 24 months from the start of the project:</p> <ul style="list-style-type: none"> • One financial product per MFI has been developed and launched on a trial basis in the remittance-generating market 	<ul style="list-style-type: none"> • Progress reports 	
<p>4. Dissemination of the model and outreach</p> <p>Objective: To process and disseminate the results and best practices achieved by the participating MFIs within and beyond the AI network</p>	<p>At 12 months from the start of the project:</p> <ul style="list-style-type: none"> • A Web page on the program has been set up containing information that can be disseminated for use by other MFIs in the region. <p>At 24 months from the start of the project:</p> <ul style="list-style-type: none"> • Each MFI has participated in at least one exchange visit. • Project achievements and experiences are presented at the Microenterprise Forum 	<ul style="list-style-type: none"> • Midterm and final program evaluations • Information system • Progress reports • Report on exchange visits • Event documentation • Web activity 	

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<p>At 36 months from the start of the project:</p> <ul style="list-style-type: none"> A publication describing the MFI remittance experience has been produced. 	<ul style="list-style-type: none"> Documents produced 	
ACTIVITIES			
PHASE 1: Action Plan Development			
<p>Component 1: Analysis of remittance market</p> <p>1.1) Consulting activity to assess demand in the receiving market</p> <p>1.2) Legal framework</p> <p>1.3) Consulting activity for the generating market</p> <p>1.4) Consulting activity to develop a methodology and provide quality assurance for market research</p>	<p>US\$381,124</p> <p>MIF: US\$180,900 MFIs: US\$ 65,770 USAID: US\$134,454</p>	<ul style="list-style-type: none"> Progress reports Consultant contracts Consultant reports Project Performance Monitoring Report 	<ul style="list-style-type: none"> 100% of approved counterpart funds are provided. The MFIs honor their commitment to remain involved throughout project execution. The executing agency finds suitable consulting firms or consultants to provide the planned services.
<p>Component 2: Development of a business plan for each MFI</p> <p>2.1) Business plan development</p> <p>2.2) Assessment of software needs (NI and HA confirmed)</p>	<p>US\$28,010</p> <p>MIF: US\$10,000 MFIs: US\$15,000 USAID US\$ 3,010</p>		
PHASE 2: Business Plan Implementation			
<p>Component 1: Improvement of technology infrastructure</p> <p>1.1) Software and hardware purchases for the institutions</p> <p>1.2) Necessary upgrading of existing platforms or development of suitable technology platforms for each institution.</p> <p>1.3) Training in the use of information systems (30 hours per country)</p> <p>1.4) Strengthening of internal and external control procedures</p>	<p>US\$237,520</p> <p>MIF: US\$143,620 MFIs: US\$ 93,900 USAID: US\$0</p>	<ul style="list-style-type: none"> Progress reports Equipment procurement contracts 	<ul style="list-style-type: none"> 100% of approved counterpart funds are provided. The MFIs honor their commitment to remain involved throughout project execution. The executing agency finds suitable consulting firms or

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
			consultants to provide the planned services.
Component 2: Development of microfinance products 2.1) Marketing in the United States 2.2) Marketing and promotion in the local markets 2.3) Client satisfaction survey in the United States (focus groups) 2.4) Client satisfaction survey in the local markets 2.5) Design and development of financial product(s) in the receiving markets 2.6) Development of marketing strategies and plans in generating and receiving markets	US\$379,020 MIF: US\$208,250 MFIs: US\$117,050 USAID: US\$ 53,720	<ul style="list-style-type: none"> Progress reports Consultant contracts Market studies Systematic methodology for the new products 	<ul style="list-style-type: none"> 100% of approved counterpart funds are provided. The MFIs honor their commitment to remain involved throughout project execution. The executing agency finds suitable consulting firms or consultants to provide the planned services.
Component 3: Development of the remittance generating markets 3.1) Support for negotiations and implementation of strategic alliances with money-transfer companies and/or financial institutions that would make it easier to link remittance services and microfinance products 3.2) Design and development of financial product(s) in the remittance generating market: product upgrading and testing 3.3) Establishment of ties with community organizations and immigrant associations to promote the new products 3.4) Methodology design and quality assurance for market research	US\$196,076 USAID: US\$196,076	<ul style="list-style-type: none"> Progress reports Consultant contracts Consultant reports Agreements with immigrant organizations to promote the program 	<ul style="list-style-type: none"> 100% of approved counterpart funds are provided. The MFIs honor their commitment to remain involved throughout project execution.
Component 4: Promotion of the model and outreach 4.1) Promotion of exchange visits among network members to strengthen cross-learning	US\$43,750 MIF: US\$32,500 MFIs: US\$11,250	<ul style="list-style-type: none"> Progress reports Publications Midterm and final evaluations 	<ul style="list-style-type: none"> 100% of approved counterpart funds are provided. The MFIs honor their commitment to remain

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
4.2) Dissemination of experiences and achievements in a publication			involved throughout project execution.
4.3) Annual meetings to create a forum for discussing experiences and innovations and presenting results 4.4) Development of a web page with access to the MIF Web page			

Table 1: Main indicators for program monitoring: FAMA Nicaragua

Indicator	Year 0	Year 1	Year 2	Year 3
Number and volume of remittances processed by FAMA	No. 424	No. 1,272	No. 1,590	No. 1,988
	\$141,605	\$424,814	\$531,017	\$663,771
% of clients who receive remittances and have access to new financial services	0%*	10%	15%	20%
% of new clients who receive remittances	55% (Estimate)	**	**	**
Fee paid by the remittance service client	Market average: 8%- 10% VIGO- Central- FAMA fee: 1. \$10 on amounts < \$250 2. 4% of remittance for amounts > \$250	**	**	**

* For year 0 the indicator was left at 0% inasmuch as FAMA just launched its remittance service four months ago and has not yet cross-sold products to any of its clients.

** This indicator will be developed in the first three months of program execution.

Table 2: Main indicators for program monitoring: BancoSol - Bolivia

Indicator	Year 0 2003	Year 1	Year 2	Year 3
Volume of remittances processed by BancoSol	US\$8,083,884	US\$8,245,562	US\$8,575,384	US\$9,175,661
Number of remittances processed (Expected growth: 10% in year 1, 15% in year 2, 25% in year 3)	25,212	27,733	31,893	39,866
% of clients who receive remittances and have access to new financial services	0%	10%	15%	20%
Fee paid by the remittance service client***	10%	8%	7%	6%

*** For an average US\$300 remittance.

Table 3: Main indicators for program monitoring: Banco Caja Social – Colombia

Indicator	Year 0	Year 1	Year 2	Year 3
Number and volume of remittances processed by the MFI	5,300 US\$3.0 million	7,000 US\$3.8 million	8,800 US\$4.8 million	11,000 US\$6.0 million
% of clients who receive remittances and have access to new financial services	5%	10%	12%	15%
Fee paid by the remittance service client	Current fee with La Caixa 9 or 12 euros	**	**	**

** This indicator will be developed in the first three months of program execution.

Table 4: Main indicators for program monitoring: Sogesol- Haiti

Indicator	Year 0 2003 (Oct 02-Sept 03)	Year 1 2004 (Oct 02-Sept 03)	Year 2 2005 (Oct 02-Sept 03)	Year 3 2006 (Oct 02-Sept 03)
Volume of remittances processed by SOGEXPRESS	US\$49,573,579	US\$75,971,220	US\$84,006.580	U\$91,311,600
Number of remittances processed by SOGEXPRESS	167,779	292,197	365,246	456,558
% of remittance clients who have access to new financial services	Estimate: 5-7%	10%	15%	20%
Fee paid by remittance service client	9% (for any amount)	9%	**	**

** This indicator will be developed in the first three months of program execution.

In the case of Haiti, the primary measurement will be access of new Sogesol clients to microfinance services, since Sogexpress already processes a significant volume of remittances.

Table 5: Main indicators for program monitoring: Mibanco, Peru

Indicator	Year 0 2003	Year 1	Year 2	Year 3
Volume of remittances processed by Mibanco	US\$500,000	US\$550,000	US\$632,500	US\$790,625
Number of remittances processed by Mibanco (Expected growth: 10% in year 1, 15% in year 2, 25% in year 3)	2,000	2,200	2,530	3,162
% of clients who receive remittances and have access to new financial services*	0%	7%	12%	18%
Fee paid by remittance service client ***	34.22	**	**	**

* It is zero for the first year because Mibanco will begin to process remittances directly and not through the agreement it has with a commercial money transfer company.

** This indicator will be developed in the first three months of program execution.

*** For an average US\$300 remittance.

MOBILIZATION OF REMITTANCES THROUGH MICROFINANCE INSTITUTIONS

RG-M1003

ITEMIZED BUDGET (TOTAL AND BY MFI) IN U.S. DOLLARS

Components/Activities	Consulting costs			IDB/MIF	CAM AND MFIs		USAID	Counterpart	%
PHASE 1	Time	Cost per day/month	Total	TOTAL	Cash	In-kind	Cash	TOTAL	
BUSINESS PLAN DEVELOPMENT									
COMPONENT 1. ANALYSIS OF THE MFI REMITTANCE MARKET									
1.1 Consulting activity to assess demand in the receiving market [months]			109,000	52,400	26,850	9,750	20,000	56,600	6.7
Bolivia [months]	0	0	0	0	0	0	0	0	0.0
Colombia - Commercial profile	40	1,000	40,000	0	20,000	0	20,000	40,000	2.5
Haiti	15	1,000	15,000	11,250	0	3,750	0	3,750	0.9
Nicaragua	30	1,000	30,000	24,000	0	6,000	0	6,000	1.9
Peru	24	1,000	24,000	17,150	6,850	0	0	6,850	1.5
1.2 Legal framework [days]			5,000	0	0	5,000	0	5,000	0.3
Bolivia - Does not specify. Will issue legal opinion.	10	100	1,000	0	0	1,000	0	1,000	0.1
Colombia - Does not specify. Will issue legal opinion.	10	100	1,000	0	0	1,000	0	1,000	0.1
Haiti	10	100	1,000	0	0	1,000	0	1,000	0.1
Nicaragua	10	100	1,000	0	0	1,000	0	1,000	0.1
Peru - Does not specify. Will issue legal opinion.	10	100	1,000	0	0	1,000	0	1,000	0.1
1.3 Market studies in issuing countries [days]			152,000	128,500	23,500	0	0	23,500	9.4
Bolivia - Market in Argentina	20	1,000	20,000	14,000	6,000	0	0	6,000	1.2
Colombia - Market in the United States - NJ, NY, Miami	40	1,000	40,000	40,000	0	0	0	0	2.5
Haiti - Market in the United States	40	1,000	40,000	30,000	10,000	0	0	10,000	2.5
Nicaragua - Market in the United States	25	1,000	25,000	25,000	0	0	0	0	1.5
Peru - Market in the United States	27	1,000	27,000	19,500	7,500	0	0	7,500	1.7
1.4 Design of market research methodology and tools [days]			7,670	0	670	0	7,000	7,670	0.5
Bolivia	0	0	0	0	0	0	0	0	0.0
Colombia	0	0	0	0	0	0	0	0	0.0
Haiti	10	442	4,420	0	670	0	3,750	4,420	0.3
Nicaragua	13	250	3,250	0	0	0	3,250	3,250	0.2
Peru	0	0	0	0	0	0	0	0	0.0
1.5 Issuing markets			107,454	0	0	0	107,454	107,454	6.6
Bolivia	52	383	20,000	0	0	0	20,000	20,000	1.2
Colombia	72	383	27,454	0	0	0	27,454	27,454	1.7
Haiti	52	383	20,000	0	0	0	20,000	20,000	1.2
Nicaragua	52	383	20,000	0	0	0	20,000	20,000	1.2
Peru	52	383	20,000	0	0	0	20,000	20,000	1.2
COMPONENT 1 SUBTOTAL			381,124	180,900	51,020	14,750	134,454	200,224	23.5

PHASE 1	Time	Cost per day/month	Total	TOTAL	Cash	In-kind	Cash	TOTAL	%
COMPONENT 2. DEVELOPMENT OF A BUSINESS PLAN FOR EACH MFI									
2.1 Business plan development [days]			20,000	5,000	0	15,000	0	15,000	1.2
Bolivia	8	500	4,000	1,000	0	3,000	0	3,000	0.2
Colombia	8	500	4,000	1,000	0	3,000	0	3,000	0.2
Haiti	8	500	4,000	1,000	0	3,000	0	3,000	0.2
Nicaragua	8	500	4,000	1,000	0	3,000	0	3,000	0.2
Peru	8	500	4,000	1,000	0	3,000	0	3,000	0.2
2.2 Assessment of software needs			5,000	5,000	0	0	0	0	
Bolivia	0	0	0	0	0	0	0	0	
Colombia	0	0	0	0	0	0	0	0	
Haiti	4	500	2,000	2,000	0	0	0	0	
Nicaragua	6	500	3,000	3,000	0	0	0	0	
Peru	0	0	0	0	0	0	0	0	
2.3 Consulting activity to support business plan development [days]			3,010	0	0	0	3,010	3,010	0.2
Bolivia	0	0	0	0	0	0	0	0	
Colombia	0	0	0	0	0	0	0	0	
Haiti	0	0	0	0	0	0	0	0	
Nicaragua	7	430	3,010	0	0	0	3,010	3,010	0.2
Peru	0	0	0	0	0	0	0	0	
COMPONENT 2 SUBTOTAL			28,010	10,000	0	15,000	3,010	18,010	1.7
PHASE 1 SUBTOTAL			409,134	190,900	51,020	29,750	137,464	218,234	25.3

PHASE 2	Days	Cost/day	TOTAL	TOTAL	Cash	In-kind	Cash	TOTAL	
BUSINESS PLAN IMPLEMENTATION									
COMPONENT 1. IMPROVEMENT OF TECHNOLOGY INFRASTRUCTURE									
1.1 Equipment procurement			165,520	116,120	49,400	0	0	49,400	10.2
Bolivia			60,000	42,000	18,000	0	0	18,000	3.7
Colombia			20,000	14,000	6,000	0	0	6,000	1.2
Haiti			18,000	12,600	5,400	0	0	5,400	1.1
Nicaragua			47,520	33,520	14,000	0	0	14,000	2.9
Peru			20,000	14,000	6,000	0	0	6,000	1.2
1.2 Software upgrades			55,000	17,500	0	37,500	0	37,500	3.4
Bolivia	3	1,000	3,000	2,100	0	900	0	900	0.2
Colombia (includes training)	30	1,000	30,000	0	0	30,000	0	30,000	1.9
Haiti	14	1,000	14,000	9,800	0	4,200	0	4,200	0.9
Nicaragua	5	1,000	5,000	3,500	0	1,500	0	1,500	0.3
Peru	3	1,000	3,000	2,100	0	900	0	900	0.2
1.3 Training in information systems			13,000	7,000	0	6,000	0	6,000	0.8
Bolivia	4	1,000	4,000	2,500	0	1,500	0	1,500	0.2
Colombia			0	0	0	0	0	0	0.0
Haiti	3	1,000	3,000	1,500	0	1,500	0	1,500	0.2
Nicaragua	3	1,000	3,000	1,500	0	1,500	0	1,500	0.2
Peru	3	1,000	3,000	1,500	0	1,500	0	1,500	0.2
1.4 Consulting activity to strengthen internal and external control procedures			4,000	3,000	0	1,000	0	1,000	0.2
Bolivia			0					0	0.0
Colombia			0					0	0.0
Haiti			0					0	0.0
Nicaragua	5	800	4,000	3,000	0	1,000	0	1,000	0.2
Peru			0					0	0.0
COMPONENT 1 SUBTOTAL			237,520	143,620	49,400	44,500	0	93,900	14.7

PHASE 2	Days	Cost/day	TOTAL	TOTAL	Cash	In-kind	Cash	TOTAL	
COMPONENT 2. DEVELOPMENT OF MICROFINANCE PRODUCTS BASED ON REMITTANCE FLOWS									0.0
2.1 Marketing in the United States			122,500	44,000	38,030	0	40,470	78,500	7.6
Bolivia	30	800	24,000	16,000	8,000	0	0	8,000	1.5
Colombia	55	800	44,000	0	7,000	0	37,000	44,000	2.7
Haiti	30	800	24,000	16,000	8,000	0	0	8,000	1.5
Nicaragua	18	800	15,000	0	11,530	0	3,470	15,000	0.9
Peru	19	800	15,500	12,000	3,500	0	0	3,500	1.0
2.2 Marketing and promotion in local markets			121,500	101,250	16,500	3,750	0	20,250	7.5
Bolivia	100	250	25,000	17,500	7,500	0	0	7,500	1.5
Colombia	100	250	25,000	16,000	9,000	0	0	9,000	1.5
Haiti	100	250	25,000	21,250	0	3,750	0	3,750	1.5
Nicaragua	120	250	30,000	30,000	0	0	0	0	1.9
Peru	66	250	16,500	16,500	0	0	0	0	1.0
2.3 Customer satisfaction survey in the United States (focus groups) [days]			53,000	43,000	0	0	10,000	10,000	3.3
Bolivia (United States and Argentina)	13	1,000	13,000	13,000	0	0	0	0	0.8
Colombia	10	1,000	10,000	0	0	0	10,000	10,000	0.6
Haiti	10	1,000	10,000	10,000	0	0	0	0	0.6
Nicaragua	10	1,000	10,000	10,000	0	0	0	0	0.6
Peru	10	1,000	10,000	10,000	0	0	0	0	0.6
2.4 Customer satisfaction survey in the local markets [days]			15,000	15,000	0	0	0	0	0.9
Bolivia	6	500	3,000	3,000	0	0	0	0	0.2
Colombia	6	500	3,000	3,000	0	0	0	0	0.2
Haiti	6	500	3,000	3,000	0	0	0	0	0.2
Nicaragua	6	500	3,000	3,000	0	0	0	0	0.2
Peru	6	500	3,000	3,000	0	0	0	0	0.2
2.5 Design and development of financial products in the receiving market [days]			57,020	0	15,770	38,000	3,250	57,020	3.5
Bolivia			6,000	0	0	6,000	0	6,000	0.4
Colombia	10	240	17,400	0	2,400	15,000	0	17,400	1.1
Haiti	20	240	12,000	0	3,750	5,000	3,250	12,000	0.7
Nicaragua	10	240	10,470	0	4,470	6,000	0	10,470	0.6
Peru	12	240	11,150	0	5,150	6,000	0	11,150	0.7
2.6 Marketing strategies and plans in issuing and receiving markets			10,000	5,000	0	5,000	0	5,000	0.6
Bolivia	5	400	2,000	1,000	0	1,000	0	1,000	0.1
Colombia	5	400	2,000	1,000	0	1,000	0	1,000	0.1
Haiti	5	400	2,000	1,000	0	1,000	0	1,000	0.1
Nicaragua	5	400	2,000	1,000	0	1,000	0	1,000	0.1
Peru	5	400	2,000	1,000	0	1,000	0	1,000	0.1
COMPONENT 2 SUBTOTAL			379,020	208,250	70,300	46,750	53,720	170,770	23.4

PHASE 2	Days	Cost/day	TOTAL	TOTAL	Cash	In-kind	Cash	TOTAL		
COMPONENT 3. AGREEMENTS IN THE REMITTANCE GENERATING MARKETS										
3.1 Issuing markets			196,076	0	0	0	196,076	196,076	12.1	
Bolivia	91	383	35,000	0	0	0	35,000	35,000	2.2	
Colombia	105	383	40,086	0	0	0	40,086	40,086	2.5	
Haiti	91	383	35,000	0	0	0	35,000	35,000	2.2	
Nicaragua	133	383	50,990	0	0	0	50,990	50,990	3.1	
Peru	91	383	35,000	0	0	0	35,000	35,000	2.2	
COMPONENT 3 SUBTOTAL			196,076	0	0	0	196,076	196,076	12.1	
COMPONENT 4. DISSEMINATION OF THE MODEL AND OUTREACH										
Exchange visits			13,750	10,000	3,750	0	0	3,750	0.8	
Publication			15,000	15,000	0	0	0	0	0.9	
Annual meetings / trad/ imp/			15,000	7,500	7,500	0	0	7,500	0.9	
COMPONENT 4 SUBTOTAL			43,750	32,500	11,250	0	0	11,250	2.7	
PHASE 2 SUBTOTAL			856,366	384,370	130,950	91,250	249,796	471,996	52.9	
PROJECT MANAGEMENT										
Project director [month]	36	3,500	126,000	126,000	0	0	0	0	7.8	
Administrative assistant [month]	36	1,500	54,000	0	0	44,000	10,000	54,000	3.3	
Secretarial support	36	500	18,000	0	0	18,000	0	18,000	1.1	
Trips for project coordination and monitoring	30	1,200	36,000	36,000	0	0	0	0	2.2	
Coordination between executing agency and member MFI	300	80	24,000	0	0	24,000	0	24,000	1.5	
Administrative costs	36	250	9,000	0	0	9,000	0	9,000	0.6	
PROJECT ADMINISTRATION SUBTOTAL			267,000	162,000	0	95,000	10,000	105,000	16.5	
EVALUATION AND AUDITS										
Midterm evaluation			15,000	15,000	0	0	0	0	0.9	
Final evaluation			15,000	15,000	0	0	0	0	0.9	
Audits			7,500	7,500	0	0	0	0	0.5	
MIF cluster monitoring			30,000	30,000	0	0	0	0	1.9	
Contingencies			20,000	20,000						
Subtotal			87,500	87,500	0	0	0	0	5.4	
TOTAL			1,620,000	824,770	181,970	216,000	397,260	795,230	100.0	
				50.91%	11.23%	13.33%	24.52%	49.09%	100.0	
Bolivia			220,000	112,100	39,500	13,400	55,000	107,900	0.0	
Colombia			303,940	75,000	44,400	50,000	134,540	228,940	13.6	
Haiti			232,420	119,400	27,820	23,200	62,000	113,020	14.3	
Nicaragua			270,240	138,520	30,000	21,000	80,720	131,720	16.7	
Peru			195,150	97,750	29,000	13,400	55,000	97,400	12.0	
Centro ACCION Microempresarial - Colombia (CAM)						62,000			0.0	

LIST OF SIMILAR AND RELATED PROJECTS
RG-M1003 MOBILIZATION OF REMITTANCES THROUGH MICROFINANCE INSTITUTIONS

- **A. Similar or related MIF projects**
None
- **B. Similar or related Bank projects**
- **C. Projects related to the same sector or beneficiaries**

Project number/ Approval date	Project title, sector, executing agency, and amount	Date of signing and original disbursement period in months	Percent disbursed	Comments: Satisfactory execution or problems with execution, including delays, extensions, reformulations, changes in executing agency, etc.
ATN/ME-7717-ME 12/12/01	Capitalization of Remittances for Local Economic Development Nacional Financiera US\$1,115,000	06/12/02 42 months	13%	Unfavorable performance prospects (outcomes) with slow execution Yellow flag (delays in meeting conditions precedent, institutional weakness, and lack of interagency coordination)
ATN-MT-7792-ME 20/2/02	Strengthening Institutions in the Low- Income Savings & Loan Sector BANSEFI US\$3,500,000	02/22/02 42 months	30%	Favorable performance prospects (output and outcomes), but with slow execution
ATN/ME-7834-ME 04/04/02	Investment of Remittances in Rural Development	06/24/02 42 months	19%	Favorable performance prospects (output and outcomes), but with slow execution
ATN/ME-7886-ES 05/29/02	Strengthening of Financial and Family- Remittance Services for Low-Income Groups FEDECACES US\$1,500,000	07/16/02 42 months	10%	Favorable performance prospects (output and outcomes), but with slow execution