

DONORS MEMORANDUM MULTILATERAL INVESTMENT FUND

I. BASIC PROJECT INFORMATION

Country: Mexico

**Project title/
number:** Remittances and rural development in Mexico (ME-M1015)

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Date of request: January 2005

Beneficiaries: 4,100 remittance clients will become microbank savers, affecting
15,000 rural families directly or indirectly.

**Executing
agency:** Asociación Mexicana de Uniones de Crédito del Sector Social A.C.
(AMUCSS)

Financing:

MIF (Facility III):	US\$209,000
IFAD:	US\$223,000
Counterpart:	<u>US\$185,342</u>
Total:	US\$617,342

II. PROJECT ELIGIBILITY

- 2.1 The proposed project is considered eligible for MIF financing under the Small Enterprise Development Facility as part of the line of activity for the “MIF-IFAD Partnership Facility for Rural Private Sector Development” (document MIF/GN-91), given that it is designed to promote rural economic and financial development through the participation of low-income migrant communities who are also remittance recipients.
- 2.2 The project presented by Asociación Mexicana de Uniones de Crédito del Sector Social A.C. (AMUCSS) proposes specific actions directly related to bringing the unbanked into the formal banking system and cross-selling innovative products for remittance recipients, so its objectives are compatible with those of the MIF/IFAD line of activity, especially the rural financial services subcomponent of Component II, “Individual Projects.” For the project to be eligible, however, both AMUCSS

and its member microbanks must be formal financial institutions regulated by bank supervision authorities.

- 2.3 The MIF/IFAD program executive committee declared this operation eligible, because AMUCSS is an association of very small rural entities in places with no other financial institutions, regulated or otherwise, and its member institutions are coming under financial regulation in accordance with Mexico's Community Savings and Loan Act. Of the project's 10 beneficiary entities, 5 are regulated¹ and 5 are becoming so. The Donors Committee is therefore requested to allow the exception and declare this operation eligible.

III. BACKGROUND AND DEFINITION OF THE PROBLEM

- 3.1 Remittances to Mexico totaled 16.613 billion Mexican pesos in 2004, in the form of some 50.5 million transfers averaging US\$327.60 each.² It is estimated that this total rose roughly 20% in 2005 to almost US\$20 billion. Mexico received US\$18.278 billion from January to November 2005, 20.43% more than in the first eleven months of 2004. An estimated 40% of remittances are sent to rural areas of Mexico with no financial services. At the same time, the average cost of remittance transfers can be as high as US\$15 per transaction. Commissions paid in 2004 totaled between 750 million and one billion Mexican pesos, representing an average cost of 6% of the total amount sent.³
- 3.2 The paradox of this huge movement of money is the scarce use of banking services by migrants and their families on both sides of the border, which limits the use of remittances in the economic development of rural areas. Remittance flows should be linked to mechanisms to bring unbanked migrants and their communities into the formal banking system by making payments safer, lowering costs, and making it possible to integrate remittances into local financial intermediation flows.
- 3.3 The structure and depth of the Mexican banking system is concentrated in urban populations of more than 20,000. Mexican rural areas having fewer than 2,500 residents have very low financial services coverage. Twenty-seven million people (4.28 million families) live in rural communities. Although Mexico has one bank per 12,000 residents, this average indicator hides the enormous variation within individual Mexican states and regions when it comes to financial services coverage, rural areas being the most disadvantaged with the least penetration of financial services. For example, Oaxaca has one bank branch per 37,000 residents, but

¹ The microbanks regulated by the Federation of Rural Finance Institutions and Organizations (FEDRURAL) are Xuu Nuu Ndavi, Eco de la Montaña, Maseuel Tomin, Finrural, and Credimich.

² Source: Bank of Mexico.

³ The average remittance amount was US\$320.61 in 2003, US\$327.68 in 2004, and US\$339.60 in 2005.

75% of the municipios have none. In Puebla there is one branch per 22,000 residents, but these branches are concentrated in 18 of the 217 existing municipios; in other words, there is no bank presence in 87% of municipios. This bank coverage imbalance affects regions with the poorest rural families, particularly indigenous rural areas.

- 3.4 An attempt has been made to rectify this situation through the growing network of community savings and loans institutions and development banking (Financiera Rural, the FIRA agricultural trust fund, and BANSEFI). Yet initiatives still fall short, and bank coverage does not extend beyond 15% of communities and the rural population.
- 3.5 Although bank-to-bank remittance transfers are the cheapest and safest choice, this is a limited option for recipient families typically living in poor rural areas due to the lack of bank coverage. Senders and their families face serious difficulties when collecting remittances. They must travel very long distances to disbursing offices at great expense, running the high risk of being robbed on the way, and pay very high commissions and unfavorable exchange rates. The central problem is the absence of financial mechanisms and services for saving in a secure environment and obtaining investment loans. The high transaction costs migrant families in poor rural areas have to pay are higher still, as they are not able to use these resources to financially leverage their economic growth.
- 3.6 The Asociación Mexicana de Uniones de Crédito del Sector Social [Mexican Association of Social Sector Credit Unions] (AMUCSS) has supported its members in developing a methodology called “Micro Bancos” to provide savings, credit, means of payment, and other financial services in highly marginalized indigenous rural communities. As of August 2005, 28 community banks forming part of seven regional networks were serving 15,500 members in 430 rural and indigenous communities in the states of Oaxaca, Puebla, Guerrero, Morelos, Hidalgo, and Michoacán. In addition to these microbank networks, AMUCSS has instituted a financial integration mechanism to give all microbanks access to a centralized liquidity management mechanism, guarantees, and housing loans for their members. This financial organization mechanism is known as the “Caja Central y Fondo de Inversiones, FOMICRO” [FOMICRO Central Savings Bank and Investment Fund].
- 3.7 Ten of these microbanks are composed of transnational communities with high levels of migration to the United States. Nevertheless, remittances reach families through traditional methods not linked to financial intermediation channels. Linking remittances to local financial intermediation networks may have a multiplier effect on the local development of migrant communities, as the microbanks’ local experience is demonstrating. There has been an increase in the number and balance of savings accounts, the number of short- and long-term vehicles for investing remittances has grown, savings earn a financial return, and financial flows are being

reinvested through lending that stimulates local employment. For example, over three years the Xuu Nuu Ndavi microbank, operating in the Mixteca region of Oaxaca state, has paid out 1,060 remittances totaling US\$721,000, bringing 337 unbanked families into the formal banking system and achieving a continuous flow of savings of 5.3 million Mexican pesos (US\$490,000); the Eco de la Montaña microbank in Huamuxtitlán, Guerrero, has paid out 2,100 remittances over nine months totaling 19.3 million Mexican pesos (US\$1.8 million) and linked this service to increasing the number of its borrowers and savers; in the Sierra Norte de Puebla region, the Ikal In to Tomin microbank partnered with a local remittance payment company and offers beneficiaries the opportunity to open savings accounts, thus increasing the number of its savers.

- 3.8 However, problems persist in terms of the high transaction costs for senders and recipients, lack of security in payments, and near-zero integration of unbanked beneficiaries into the formal banking system with the result that they lack financial products for saving, credit, and insurance.

3.9 **Proposed solution**

- 3.10 Solving these problems will require the integration of commercial, financial, and operational solutions specifically tailored to the remittance market and to designing financial products and services that meet the needs of migrants and their families. To do so, AMUCSS will set up a support program for 10 rural microbanks so that they can introduce or broaden their remittance payment service on an ongoing and secure basis by: (i) better enabling them to negotiate with various U.S. remittance companies to ensure commercial links in various cities; (ii) create and enhance the quality of electronic, telephone, and overland communications systems so that they can provide shared remittance and financial service products; (iii) develop mechanisms for the safe transfer of money: liquidity management is of strategic importance but carries multiple risks that must be addressed; (iv) reducing administrative costs by standardizing processes with specific computer system support, networking with the other microbanks and the microbank general information system; (v) developing marketing strategies to reach the widest possible audience, disseminate services, and foster social ties; (vi) strengthening financial integration through an investment and liquidity management structure that also provides access to information technology and shared financial products.
- 3.11 The proposal envisions extending AMUCSS's experience to date to microbanks operating in transnational communities in the states of Oaxaca, Guerrero, Michoacán, Puebla, and Zacatecas. The participating microbanks are: Xuu Nuu Ndavi ["poor peoples' money"] and Nuu La'Vi ["poor peoples"] in the Mixteca region of Oaxaca, Lis Mii ["house of money"] in the Zapoteca region, the three microbanks in Oaxaca state; Red Eco de la Montaña and Red Maseual Tomin ["the people's money"] in La Montaña, Alto Balsas, and northern Guerrero state; Finrural S.C. in the Sierra Norte de Puebla region (Ahuacatlán, Pahuatlán, and

Bienvenido); Credimich in Michoacán and in the municipios of Jerez, Nochixtlán, and Jalpa in Zacatecas. All microbanks selected are located in high-migration areas with strong demand for financial services tied to migrant families, with at least 15 points of payment and permanent locations in 234 indigenous communities wholly lacking in banking and financial services. Three of the microbanks have been providing a remittance payment service and already gained experience in this area.

- 3.12 **Additionality.** The AMUCSS proposal focuses on transnational indigenous communities, traditionally the most marginalized in terms of financial services. The project also seeks to rebuild transnational social capital as a strategy for bringing the unbanked into the formal banking system and expanding targeted rural financial services.
- 3.13 **Similar or related projects.** The MIF has been involved in supporting the execution of remittance-related projects since 2001. There are 23 operations in the remittance project cluster. In addition, the Donors and MIF Manager, under authority delegated to him, approved six MIF/IFAD Line of Activity projects in 2005 totaling US\$1.3 million.⁴ The objectives of those projects are similar to this one, in that they seek to create incentives to send remittances through the financial system and leveraging credit resources for productive investments with the remittance proceeds.
- 3.14 Due to the specificity of the financial services offered by development banks and savings and loan institutions, the services proposed under the project described below do not duplicate coverage but rather complement public and private initiatives currently under way.

IV. PROJECT OBJECTIVES AND DESCRIPTION

A. Objectives

- 4.1 The project's **general objective** is to help deepen Mexico's rural financial system by extending its reach and coverage in rural low-income sectors through efficient remittance management. The **specific objective** is to develop a model to systematically link transnational community remittances with complementary financial services such as savings, credit, and insurance.
- 4.2 The project's **expected outcomes** after 36 months are: (i) monthly transaction volume has increased to 12,000; (ii) 4,100 remittance senders have become

⁴ ATN/ME-9471-ME Autonomous University of Zacatecas; ATN/ME-9473-BO PRODEM, ATN/ME-9474-ES Apoyo Integral S.A. de C.V.; ATN/ME-9474-PR El Comercio Financiera SAECA; ATN/ME-9492-DR ADOPEM; and ATN/ME-9532-GU Cooperativa Salcajá de R.L.

microbank members, and savings volume has increased by an additional 18 million Mexican pesos; (iii) institutional and operational links have been created between 10 Mexican migrant clubs and 10 microbanks.

B. Components and activities

1. Knowledge-building (MIF/IFAD: US\$64,000; Counterpart: US\$5,000)

4.3 This component will finance a program to enhance financial literacy and strengthen Mexican rural transnational capital.

a. **Strengthening transnational social capital.** This activity will create and strengthen communication, information, and organizational mechanisms for existing binational social capital, so as to maximize the supply and demand for financial services. This strategy will promote the use of remittances between clubs and community organizations and enable migrants to support their communities of origin by participating in the consolidation of local microbanks. The following activities are planned: (i) approximately four missions and exchanges⁵ to visit migrant communities in the United States and arrange at least one visit to each participating microbank every three months; and (ii) hold videoconferences to promote communication and services between clubs and immigrant communities (known as Hometown Associations or HTAs) and Mexican rural communities. These activities will be conducted in Spanish and indigenous languages.

b. **Financial literacy.** Tools will be introduced to enable immigrants and their families to better understand how “their” microbanks operate and become more conversant with financial matters, such as financial terms and conditions of loans, how to read financial statements and check balances, legal issues, etc. The result will be greater social participation and decision-making in microbank operations and more tailored financial services, through brochures, manuals, and approximately 30 training events for 4,100 persons.

2. Rural financial services (MIF/IFAD: US\$318,000; Counterpart: US\$137,142)

4.4 This component will support the deepening of microbank financial services and making them more efficient. To this end, AMUCSS will enter into agreements with at least three remittance companies providing national coverage. The general expected outcomes of this component are: (i) modernization of remittance services through access to information and communication technology; (ii) financial training

⁵ Exchange participants have not yet been determined. However, at least one member of the AMUCSS head office and three microbank leaders will always be present, and participants will rotate for each exchange.

for 234 remittance recipient communities; and (iii) at least five financial products in place, such as investment credits, insurance, and savings plans. Activities include:

- a. **Market and impact analysis studies.** At least one new study and an updated analysis of local financial markets with an emphasis on changes in rural economies in high-migration areas and deepening awareness of the needs of migrant families in these areas. These studies will provide a basis for specific social organization strategies at microbanks, product designs, and strategies for service delivery and marketing.
- b. **New product design.** Technical assistance financing will be provided to design five new financial products and services, design the plan for introducing and marketing these products through microbanks, and validate pilot and rollout plans for the products. In principle, the following products will be designed: project loans, farm loans, housing loans, savings, microinsurance, and other products identified through market analysis.
- c. **Program marketing strategy.** Program marketing will involve training microbank employees and members and a comprehensive marketing plan. Microbank staff will be trained in ways to increase the effectiveness of their promotional contact with clients, while managers will receive instruction in developing a strategic vision for marketing the program. The marketing plan will include: (a) **design** of an advertising strategy for broadcasting on rural radio including translation into local indigenous languages (recording three or four promotional spots for radio and community broadcasting); (b) advertisement at points of sale: signs, posters, flyers, and outdoor banners; (c) corporate image enhancement and branding to reinforce microbanks' physical presence in the market for migrant-oriented financial services and announcements at the entrance to communities where microbanks are headquartered; (d) basic advertising support equipment (plotter and screenprinting equipment). The design will be compatible for all microbanks and involve a unified strategy to lower costs and enhance the system's image.
- d. **Consulting assignments for technical assistance to microbanks.** AMUCSS will engage independent and specialized external consulting services so as to provide microbanks with specific support in the following areas: (i) microfinance training for senior managers and staff; (ii) financial organization and cash management; (iii) control of transactions and loan portfolio; (iv) monitoring, evaluation, and documentation of project execution, goals, and experience gained; and (v) mechanisms to provide incentives for microbank integration into the rural financial system. Each of these modules will also include environmental management guidelines.
- e. **Use of technology and communications.** Technology, a suitable computer system, and telecommunications equipment (satellite modems or telephony)

will be purchased to establish new direct distribution channels with remittance companies. It should be possible to connect at least 4,100 remittance families with their communities of origin via telephone and videoconferencing. The software to be acquired includes a technology solution to enable the FOMICRO financial integration agency to support remittance distribution and cash management among microbanks and group access to remittance company networks.

- f. **Monitoring and evaluation module for information system.** This add-on module for the information system will enable it to produce regular reports with financial and operational performance indicators for use in decision-making. Such reports will present local, regional, and national information on microbanks. They are intended for management, promoters, network managers and the national advisory team, and will include productivity and efficiency indicators on the delivery of savings and credit services, comparison of actual performance with targets, financial position, profit margin, movements in financial performance indicators, and operating indicators such as member savers, borrowers, and payments by gender and transaction amount for monitoring the microbanks' social impact.
- 4.5 **Promotion and dissemination (MIF/IFAD: US\$11,000).** This component involves a consulting assignment to identify lessons learned about the outcomes of remittance-based financial intermediation, particularly with regard to the inclusion of women and its effects on savings and education. This study will be shared with the other institutions participating in the MIF/IFAD program.
- 4.6 The project also includes resources for management, evaluation, and audits.

V. COST AND FINANCING

- 5.1 The total project cost is US\$617,342. MIF/IFAD will contribute US\$432,000 of that amount, with the MIF contributing US\$209,000 and the IFAD US\$223,000, respectively. The AMUCSS counterpart contribution will be US\$185,342, broken down as follows:

Item	MIF	IFAD	AMUCSS	Total
Knowledge-building				
Social capital strengthening		35,000		35,000
Financial literacy	29,000		5,000	34,000
Total	29,000	35,000	5,000	69,000
Rural financial services				
Market studies		29,000	20,000	49,000
New product design	30,000		15,000	45,000
Design of marketing strategy	15,000	38,000	7,000	60,000
Technical assistance to microbanks	60,000	20,000	36,000	116,000
Systems and communications	40,000	86,000	59,142	185,142
Total	165,000	173,000	142,142	455,142
Promotion and dissemination				
Consulting assignment on lessons learned	11,000			11,000
Total	11,000			11,000
Project coordination unit	15,000	15,000		30,000
Administrative costs			43,200	43,200
Evaluation (US\$4,000) and audits (US\$5,000)	9,000			9,000
TOTAL	209,000	223,000	185,342	617,342

- 5.2 The US\$4,000 for evaluation will be administered by the program for project evaluation activities in accordance with paragraph 5.2 of document MIF/GN-91. This amount will be deducted from the total contribution as of the effective date of the technical cooperation letter of agreement, and the executing agency will not be required to submit a disbursement request.

VI. EXECUTING AGENCY AND MECHANISM

A. Executing agency

- 6.1 AMUCSS A.C. was incorporated as a Mexican nonprofit association on 12 March 1992. Its institutional mission is to develop financial services options for Mexican rural families and communities by setting up, strengthening, and expanding local nonbank financial institutions with broad social participation, and to serve as a coordinating body that provides its members with supervision services, technical assistance, training, and funding.
- 6.2 AMUCSS's members are regulated and unregulated Mexican rural financial institutions, currently including: four credit unions, three cooperatives, one community finance company (a business form known by its Spanish-language acronym, SOFIPO) in the process of incorporation, and seven microbank networks

(comprising 28 microbanks). Members include 11 producer organizations in the process of incorporation as rural finance institutions (RFIs). All AMUCSS members are structured as mutuals in which member-clients have an equity stake in the organization, be it a cooperative, corporation, or nontrading partnership. Its organizational structure comprises a General Meeting of Members as the supreme governing body (representatives from member financial institutions). The General Meeting of Members is held at least once a year and convenes for various events throughout the year. It appoints a seven-member board of directors and a chief executive officer.

B. Execution mechanism

- 6.3 To meet the project objective, AMUCSS will hire a project coordinator to work together with FOMICRO staff and the microbank coordinator.⁶ In addition to these coordination activities, the project coordinator will: (i) prepare and execute annual work plans (AWPs); (ii) coordinate (plan, organize, execute, supervise, and review) project activities; (iii) conduct contracting processes in accordance with Bank rules and supervise procurement of goods and services; (iv) supervise the timely and effective execution of project components; (v) process disbursement requests to the MIF/IFAD program coordinator; (vi) prepare and submit account statements and management reports to the executing agency and to the MIF/IFAD program; (vii) monitor the performance indicators established in the Logical Framework; (viii) conduct selection and procurement procedures for goods and services, consultants, or firms; (ix) supervise and review the work of consultants; (x) monitor budget management and execution using established procedures; (xi) prepare account statements for resources used; (xii) prepare administrative and technical reports for the Bank; (xiii) ensure that all project management and execution mechanisms are in place and that the relevant sections of the program Operating Regulations are properly applied; (xiv) deliver semiannual progress reports on the project; and (xv) disseminate project outcomes.
- 6.4 **Procurement.** AMUCSS will procure goods and services in accordance with documents GN-2349-6 and GN-2350-6, respectively. Updates to the procurement plan are to be submitted with each semiannual progress report.
- 6.5 **Accounting and audits.** Project accounting and audits will be done in accordance with Bank policies, as contained in the MIF/IFAD program Operating Regulations, with which the executing agency states it is familiar. The applicable paragraphs of the Operating Regulations are 4.27 and 4.28.

⁶ The microbank coordinator is an AMUCSS employee and will be the main work contact for the coordinator of this project.

- 6.6 **Execution period and disbursements.** The estimated execution period for the project is 30 months, with disbursements over 36 months. Disbursements will be made through advances or replenishments of the revolving fund up to 25%, as follows: 25% upon signature of the agreement and fulfillment of the conditions contained in the General Conditions; the first replenishment of the revolving fund will be disbursed, once the executing agency shows that the conditions set in paragraph 10.1 have been met. No replenishment of the revolving fund will be permitted until the executing agency has duly justified the use of funds received.

VII. MONITORING AND EVALUATION

- 7.1 **Performance monitoring reports.** AMUCSS will prepare and submit project progress reports to the MIF/IFAD program within 30 days after the close of each six-month period, and a final report within 30 days after the last disbursement. The work plan for year two will be prepared for the first annual status report. These reports will observe a format previously agreed with the MIF and cover the project's financial activities and financial performance, as well as project outcomes measured in terms of the execution and performance indicators contained in the project Logical Framework. The MIF/IFAD program will use these reports to monitor progress in project implementation and review the quality and timeliness of consulting assignments. In the three months following the last disbursement, the MIF/IFAD program will use the above-mentioned reports to prepare a project completion report (PCR) containing goals achieved, obstacles encountered, and lessons learned.
- 7.2 **Evaluation.** The program will commission an overall evaluation of all program projects using the funds specified in paragraph 5.2. The MIF/IFAD program provides for the hiring of a coordinator, one of whose responsibilities will be the ongoing monitoring of the activities and execution of individual projects. The coordinator will deliver a midterm review of operations to the program partners once 50% of the contribution has been disbursed, or 15 months after signature of the agreement, whichever occurs first. In line with the coordinator's recommendations, the program executive committee will use this midterm review to determine whether the project should be continued, modified, suspended, or cancelled. The review will address at least: (i) Logical Framework indicator performance; (ii) progress in executing activities under each Logical Framework component and the achievement of planned objectives; and (iii) compliance with the counterpart *pari passu* requirement in accordance with the project budget.

VIII. JUSTIFICATION

- 8.1 With this project, AMUCSS and its institutions will substantially enhance the market in terms of quantity (ready availability), quality (uniform product pricing

and quality), and complementarity (associated financial services made possible by technology). Joint negotiation as a system of microbanks (one financial integration body and 10 microbanks) serving approximately 234 communities in highly-marginalized rural areas will make it possible to lower transaction costs for both migrants and their beneficiaries. Linking microbanks to stable monetary flows will better enable them to offer new savings services and new credit products, in addition to ensuring that microbank growth incorporates the organizational initiatives of transnational families. This will both support custom-tailored financial services and strengthen social capital among migrant indigenous and rural communities. Lastly, the project will bring transnational indigenous communities into the expansion of mechanisms to incorporate the unbanked into the formal banking system.

- 8.2 **Direct beneficiaries.** The project will provide coverage for 234 largely indigenous marginalized rural communities and 12,000 families receiving remittances each month; 4,100 remittance clients who will become microbank savings members; 10 microbanks located in high-migration regions with at least 15 to 18 points of service and an additional increase in savings deposits of 18 million Mexican pesos; 10 migrant organizations or clubs in the United States will participate in projects to bring unbanked persons in their communities of origin into the formal banking system; at least 15,000 families will have received literacy training to improve their ability to control the financial use of their money. Indirectly, the project will benefit at least 20,000 families associated with participating microbanks that will have better options to access various financial products. Lastly, new and more rural financial intermediaries will be able to benefit from the project by becoming part of the remittance strategy already in place for the first 10 microbanks, and thus widen the network of participating institutions.

IX. ENVIRONMENTAL AND SOCIAL IMPACT

- 9.1 The Committee on Environment and Social Impact (CESI) reviewed the project on 4 November 2005. The project itself has no adverse environmental impacts. However, AMUCSS will support microbanks in amending their credit regulations to classify activities included in the MIF exclusion list as ineligible for financing, guarantee preferential access to credit for women, and ensure that credit beneficiary companies meet industrial and labor safety standards.

X. SPECIAL CONTRACTUAL CONDITIONS

- 10.1 The conditions precedent to the first replenishment of the revolving fund will include demonstrating to the Bank's satisfaction that: (i) the project coordinator has been selected from a shortlist drawn up in accordance with Bank contracting procedures; and (ii) terms of reference have been prepared for procurement of the

following consulting assignments: (a) market studies; (b) design of financial products; (c) marketing strategy for migrants; and (d) technical assistance for microbanks (this technical assistance must include the environmental guidelines specified in paragraph 4.4(d)); (iii) the project execution timetable has been prepared with dates for partial fulfillment of the agreed targets; and (iv) the microbank credit regulations have been submitted to the Bank's satisfaction, confirming that the conditions described in paragraph 9.1 have been incorporated.

LOGICAL FRAMEWORK MATRIX

AMUCSS

Objectives	Verifiable indicators	Means of verification	Assumptions
Goal To help deepen the Mexican rural financial system by extending its reach and coverage to rural low-income sectors.	2 or 3 years after project completion: More unbanked migrant families have been brought into the formal banking system.	Central Bank of Mexico reports Ministry of Finance	Migrants who send remittances to their families remain able to do so.
Purpose To develop a model to systematically link transnational community remittances to complementary financial services such as savings, credit, and insurance.	By project end: AMUCSS-affiliated microbank monthly transaction volume has increased to 12,000. 4,100 remittance senders have become members of AMUCSS-affiliated microbanks. AMUCSS-affiliated bank savings volume has increased by 18 million Mexican pesos.	Final evaluation of the MIF/IFAD program Project completion report (PCR) AMUCSS final report Program coordinator evaluation reports	Interest in financial intermediation for remittances continues to grow.
Components Knowledge-building	By the end of project year 1: At least 2 agreements with 2 remittance companies providing national coverage. 150 communities have financial management skills. 3,000 individuals have received financial literacy training.	Midterm review AMUCSS semiannual reports Project performance monitoring report (PPMR) AMUCSS market breakdown reports AMUCSS financial reports	Demand for remittance transfers will continue to grow. Strenuous AMUCSS efforts to bring unbanked remittance customers into the formal banking system. It is expected to establish significant links with destination communities in the United States and provide them with attractive and secure

Objectives	Verifiable indicators	Means of verification	Assumptions
			remittance mechanisms as microbank members.
	<p>By month 30:</p> <p>At least 3 agreements with 3 remittance companies providing national coverage.</p> <p>234 communities have financial management skills.</p> <p>4,100 individuals have received financial literacy training.</p>		<p>Financial training for residents in the communities served by microbanks enables them to make optimum use of the services offered.</p> <p>Residents in communities served by microbanks: Microbank members will have financial services that meet their requirements to provide them with access to savings plans, productive and housing loans, remittances, life insurance, etc.</p>
Rural financial services	<p>By month 18:</p> <p>At least four financial products are in place, such as investment credits, insurance, and savings plans.</p> <p>By month 30:</p> <p>At least five financial products in place, such as investment credits, insurance, and savings plans.</p> <p>Money transfer technology in place in rural areas.</p>		
<p>Activities</p> <p>Component 1</p> <p>Project promoters have visited migrant communities and have, in turn, visited their communities.</p>	<p>Four missions and exchanges to visit migrant communities in the United States (each participating microbank visited once every three months).</p>	<p>AMUCSS semiannual reports</p> <p>PPMR</p> <p>AMUCSS financial reports</p>	<p>A specialized firm is available to ensure the quality of market studies and technical assistance.</p> <p>Experts are available to identify and design financial products.</p> <p>The market strategy gives due</p>

Objectives	Verifiable indicators	Means of verification	Assumptions
Promoter training	114 project promoters and any additional promoters required due to microbank growth will be trained in months 12, 13, and 14.		consideration to the financial market preferences of recipient households.
Set up an Internet website.	Internet website created in month 12.		
Link family members living abroad with their families in Mexico via videoconferences.	At least 12 videoconferences as from month 12.		
Prepare brochures and manuals.	Brochures and manuals prepared in month 12.		
Organize 30 training events.	Workshop and in-field training format.		
Component 2			
Market study consulting assignment.	Study completed in month 6.		
Consulting assignment to design five financial products.	Product design completed in month 12.		
Design the plan for the introduction and marketing of these financial products in microbanks.	Introduction and marketing design plan completed in month 8.		
Validate pilot plans.	Validation completed in month 10.		
Rollout of designed products.	Rollout in month 12.		
Microbank staff training.	Training sessions for microbank staff held in months 13-18.		
Marketing plan.	Marketing plan completed in month 12.		
Consulting assignments for microbank participants.	Consulting assignments for microbank participants carried out in months 13-18.		
Monitoring and evaluation module.	Monitoring and evaluation module completed in month 6.		

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

PROPOSED RESOLUTION MIF/DE-___/___

Mexico. Nonreimbursable Technical Cooperation ATN/ME-____-ME for
Remittances and Rural Development in Mexico

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 Bank, as Administrator of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the Asociación Mexicana de Uniones de Crédito del Sector Social, AC (AMUCSS), and to take such additional measures as may be pertinent for the execution of the project proposal contained in document MIF/AT-____ with respect to a technical cooperation for remittances and rural development in Mexico.

2. That up to the amount of US\$209,000, or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to the resources of the Line of Activity for MIF-IFAD Partnership Facility for Rural Private Sector Development of the Small Enterprise Development Facility of the Multilateral Investment Fund.

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

(Adopted on __ _____ 200__)

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