

2016

MULTILATERAL INVESTMENT FUND

Development Effectiveness Report





About the Multilateral Investment Fund

The Multilateral Investment Fund is an innovation lab for the Inter-American Development Bank Group. It conducts high-risk experiments to test new models for engaging and inspiring the private sector to solve economic development problems in Latin America and the Caribbean. The MIF addresses poverty and vulnerability by focusing on emerging businesses and smallholder farmers with the capacity to grow and create economic opportunities.

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2016

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Abbreviations

ADOPEM	<i>Asociación Dominicana para el Desarrollo de la Mujer</i>
AFICO	<i>Asociación de Plataformas de Fondeo Colectivo (Mexico)</i>
ARB	<i>Asociación de Recicladores de Bogotá (Colombia)</i>
CNBV	<i>Comisión Nacional Bancaria y de Valores (Mexico)</i>
DANE	<i>Departamento Administrativo Nacional de Estadística (Colombia)</i>
FDL	<i>Asociación Fondo de Desarrollo Local (Nicaragua)</i>
FECOPROD	<i>Federación de Cooperativas de la Producción (Paraguay)</i>
FNC	<i>Federación Nacional de Cafeteros de Colombia</i>
CEMPRE	<i>Compromiso Empresarial con el Reciclaje (Colombia)</i>
GDP	gross domestic product
GRAAN	<i>Gobierno Regional Autónomo del Atlántico Norte (Nicaragua)</i>
HESAR	Haiti Emergency Spending Allocation Request
ICF	<i>Instituto Nacional de Conservación y Desarrollo Forestal, Áreas Protegidas y Vida Silvestre (Honduras)</i>
ICONTEC	<i>Instituto Colombiano de Normas Técnicas</i>
ICT	information and communication technologies
IDRC	International Development Research Centre (Canada)
IEEPO	<i>Instituto Estatal de Educación Pública de Oaxaca (Mexico)</i>
IIC	Inter-American Investment Corporation
INADEM	<i>Instituto Nacional del Emprendedor (Mexico)</i>
ISO	International Organization for Standardization
MIF	Multilateral Investment Fund
MiGroF	Microfinance Growth Fund
MinCIT	<i>Ministerio de Comercio, Industria y Turismo (Colombia)</i>
MOOC	Massive Open Online Course
NAFINSA	<i>Nacional Financiera (Mexico)</i>
NAMA	Nationally Appropriate Mitigation Action
NCB	National Commercial Bank of Jamaica
NEO	New Employment Opportunities
OPIC	Overseas Private Investment Corporation (United States)
PE	private equity
PEMEX	<i>Petróleos Mexicanos</i>
PROCOSI	<i>Programa de Coordinación en Salud Integral (Bolivia)</i>
PPP	public-private partnership
SAFE	Sustainable Agriculture, Food, and Environment
SDC	Swiss Agency for Development and Cooperation
SECO	State Secretariat for Economic Affairs (Switzerland)
SENA	<i>Servicio Nacional de Aprendizaje (Colombia)</i>
SEP	Social Entrepreneurship Program
SEPEG	<i>Secretaría de Educación Pública del Estado de Guerrero (Mexico)</i>
Sogesol	<i>Société Générale de Solidarité (France)</i>
USAID	United States Agency for International Development
VC	venture capital
weB	women entrepreneurshipBanking
WEempower	Women's Economic Empowerment

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Brigit Helms

General Manager
Multilateral Investment
Fund

Letter from the General Manager

This year's Development Effectiveness Report opens with a retrospective view of Multilateral Investment Fund II accomplishments from 2007 to 2015, when social and economic conditions in Latin America and the Caribbean shifted dramatically. The MIF responded by constantly adapting its strategic priorities to accompany the region, and played a leading role in testing innovative models and supporting systemic change in crucial sectors that offer economic opportunities to poor and vulnerable populations.

The MIF supported the growth of the **microfinance** sector through 200 projects totaling \$292 million to support financial inclusion for 5 million low-income people. We stimulated the development of the **venture capital** industry, specifically targeting women entrepreneurs, by investing \$280 million in 74 **early-stage** venture capital funds. These funds provided financing for 660 individual small businesses, which generated 28,000 jobs and \$1 billion in revenues. The MIF's pioneering role in maximizing the impact of **remittance** flows to Latin America and the Caribbean contributed to decreasing the cost of sending remittances from 15% before 2000 to 5% in 2010, thereby benefiting millions of immigrants and their families.

Our comprehensive approach to **youth employability** resulted in 235,000 youth directly trained by MIF projects, and job-placement rates of between 50 percent and 70 percent for youth who benefited. To confront the effects of **climate change**, \$39 million in MIF funding is leveraging \$745 million in international climate funds co-financing. The knowledge we gained about **public-private partnerships (PPPs)** resulted in \$20 million in advisory projects that catalyzed \$4 billion in private investment in infrastructure and social sector projects that support health, education, and urban sustainability.

Our annual analysis of the development effectiveness of our projects was based on results that were gathered from 76 projects that closed in 2015 and that show direct benefits for more than 300,000 people and 140,000 businesses and close to 25,000 households.

The information collected shows that 44,000 people opened savings accounts, most of them for the first time, and 46,000 people were able to access credit products totaling \$26 million. Businesses that benefited from these MIF projects reported an average annual increase in sales of 24 percent and created 2,484 full-time staff jobs. Furthermore, MIF conservation projects reduced or avoided greenhouse-gas emissions equivalent to 14 million tons of carbon dioxide—comparable to the annual emissions of 3 million passenger vehicles.

2015 also witnessed a sea change in thinking and practice about the private sector's role in development. The international community recognized that stubborn development problems cannot be solved by the public sector alone; the private sector must play a leading role. Crowding in private-sector resources to address development challenges can't be done in the same business-as-usual way: not for the development community, nor for the private sector. There is a need for disruption and transformation, employing new ways of approaching and solving development issues.

In response to these challenges, and building on its 23-year track record, the MIF revamped its strategy. We are consolidating our position as an innovation lab for the Inter-American Development Bank (IDB) Group, with an eye toward scaling novel solutions and leveraging our work via our IDB Group “family”—the IDB and the Inter-American Investment Corporation (IIC). The MIF's business plan for 2016-2018 prioritizes the creation, use, and adoption of fresh solutions to attract private resources and promote Latin America and the Caribbean as a region of Climate-Smart Agriculture, Inclusive Cities, and Knowledge Economies.

The MIF's portfolio of projects at the end of 2015 contained a number of gems that can be considered strategic under this new plan. These projects are original, scalable, and aligned with IDB Group strategies, at both the corporate and the country levels. Each project also contributes to one of the MIF's three new focus areas and has solid and credible partners. Most importantly, they demonstrate real transformational impact on poor and vulnerable populations in Latin America and the Caribbean.

This report tells the stories of 10 such strategic projects that give a flavor of the MIF's potential going forward. They include a project in Colombia to train and equip recyclers, who won the right to be entrepreneurs and earned recognition from the country's highest court for their part in the solid-waste supply chain. These formerly marginalized workers also more than doubled the amount of material they recycled monthly. Another MIF initiative to nurture a crowdfunding ecosystem in Mexico produced 80,000 committed funders and 1,000 successful crowdfunding campaigns in little more than a year, becoming a model for Latin America and the Caribbean—and elsewhere.

The MIF's daily mission is to address poverty and vulnerability by focusing on emerging businesses and smallholder farmers with the capacity to grow and create economic opportunities. By learning from our experiences and those of others, we plan to spark the innovation required to help the region face the challenges and seize the opportunities of the next decade.

A photograph of a woman and two children at a public water station. The woman, wearing a pink jacket, is smiling and helping a young boy and a young girl wash their hands. The boy is wearing a white shirt with blue trim, and the girl is wearing a blue and white patterned shirt. They are standing at a stone sink with a metal faucet. To the left of the sink, there is a small shelf with a blue bottle of soap and a blue container. The background is a brick wall. The text "EXECUTIVE SUMMARY" is overlaid in large white letters in the center of the image.

EXECUTIVE SUMMARY



The Development Effectiveness Report is an annual analysis of the performance, effectiveness, and impact of the projects and activities of the Multilateral Investment Fund (MIF). This 2016 edition once again reports on the development impacts of the projects that the MIF has tested and scaled up throughout Latin America and the Caribbean, using the MIF results framework that was presented to MIF donors in 2013. Since 2014 was the first year that the MIF reported these results, this year's report relies on three years of gathered data to compare results and identify trends and changes. This report also features a retrospective view of MIF II accomplishments from 2007 through 2015, and gives highlights of the MIF portfolio in execution of 418 projects and of its investment and loan portfolio. The report concludes with stories of 10 ongoing projects that fit into the MIF's three new focus areas and that have begun to show results.

A RETROSPECTIVE LOOK AT THE MULTILATERAL INVESTMENT FUND II: 2007–2015

During the MIF II years, from 2007 through 2015, Latin America and the Caribbean underwent a sea change in social and economic conditions. The MIF responded by constantly adapting its strategic priorities to accompany the region, and played a leading role in testing innovative models and supporting systemic change in six sectors that offer economic opportunities to the poor:

- In 2007, the MIF set a goal of tripling the amount of **microfinance** available in Latin America and the Caribbean in five years and realized that goal in 2012 when the portfolio reached \$20 billion. In the past decade, the MIF approved more than 200 projects, totaling \$292 million, to help 5 million low-income people gain access to financial services at affordable costs.
- The MIF's support for small and medium-sized enterprises focused on stimulating the development of the **venture capital** industry in the region and targeting women entrepreneurs. The MIF invested \$280 million in 74 early-stage venture capital funds, providing funding for more than 660 individual small businesses, which have generated 28,000 jobs and \$1 billion in revenues.
- The MIF undertook an intensive effort to maximize the impact of international **remittance** flows to Latin America and the Caribbean, by contributing to lowering the cost of sending remittances. That cost dropped to 5 percent in 2010, from 15 percent before 2000, which benefited millions of immigrants and their families.
- A comprehensive approach to **youth employability** resulted in 235,000 youth directly trained thanks to MIF projects. Programs such as *A Ganar* and *entra21* were replicated, and MIF efforts to scale up successful initiatives culminated in the New Employment Opportunities (NEO) Program, with a goal of training 1 million youth and mobilizing 1,000 companies to offer jobs.

- The MIF became a hub for knowledge about **public-private partnerships (PPPs)**, after deploying \$20 million on advisory projects and catalyzing \$4 billion in private investment in PPPs in 16 countries.
- To confront the effects of **climate change** in Latin America and the Caribbean, the MIF leveraged global funds to support private-sector-led solutions. Close to \$39 million in MIF funding leveraged \$745 million in international climate funds cofinancing.

OPERATIONAL HIGHLIGHTS

The MIF ended 2015 with a portfolio in execution of 418 projects, representing \$643 million in approved funds. Among the needs addressed, four topics had the largest numbers of projects: financial inclusion, value chains and regional economic development, early-stage equity, and environment and clean energy. During the year, the MIF approved 73 projects totaling \$86.4 million. The majority of new approvals were in the form of grants (\$55 million), followed by equity investments (\$20.5 million), and loans (\$10.9 million). Project approvals mobilized an additional \$330 million in third-party funding, which represents \$3.80 of additional funds per dollar approved. The performance of the MIF's combined active portfolio of all grants, loans, and investment projects was: 85 percent was classified as green flag, meaning the projects were on track to meet implementation milestones; 11 percent was yellow flag, indicating cause for concern; and 4 percent was red flag, or unsatisfactory.

FINANCIAL PORTFOLIO

The MIF's investment and loan portfolio at the end of 2015 included 102 operations with a total outstanding value of \$156 million. Equity investments



85 percent of the MIF's combined active portfolio classified as green flag, meaning the projects were on track to meet implementation milestones.

continued to dominate the portfolio, with 85 percent of the outstanding value and an estimated Net Asset Value of \$94 million. Senior and subordinated debt products represented 15 percent of the outstanding portfolio. During the year, the MIF approved 10 new financial operations and two increases to previous operations, for a total of \$33.5 million. Six of the approved operations and both increases were equity investments, and the remaining four new operations were loans. Of the MIF's loan and investment operations, 64 percent were meeting financial targets and classified as green flag; 21 percent were at risk of generating minor losses and classified as yellow flag; and 15 percent were expecting significant losses and were therefore classified as red flag. Recoveries and income reached \$16.3 million, down from \$31.1 million in 2014. The underlying reasons for the decline were associated with the overall economic slowdown in Latin America and the Caribbean.

RESULTS OF PROJECTS COMPLETED IN 2015

For the third consecutive year, the MIF is reporting results under its results framework. This year, results were gathered from 76 projects that closed in 2015 and that show direct benefits for more than 300,000 people and 140,000 businesses and close to 25,000 households. It is noteworthy that the gender focus the MIF has included in the design of projects since 2011 began to be reflected in the growing amount of information available in 2015. Women represented 60 percent of beneficiaries of the completed projects and headed nearly 42 percent of the enterprises (mostly micro or small) that received support.

The information collected regarding people and households indicates that 37.2 percent of the participants in job-placement training held stable staff positions at the close of those projects. In addition, 44,000 people opened savings accounts, most of them for the first time; 46,000 people were able to access credit products totaling \$26 million; and close to 25,000 households received either pay-as-you-go solar energy services or improved equipment to guarantee more reliable access to water and electricity distribution networks.

Businesses that benefited from the MIF projects that closed in 2015 reported an average annual increase in sales of 24 percent and created 2,484 full-time staff jobs, averaging more than three positions per company. Close to 124,000 businesses obtained loans totaling \$295 million.

MIF conservation projects reduced or avoided greenhouse-gas emissions equivalent to 14 million tons of carbon dioxide. This figure is comparable to the annual emissions of 3 million passenger vehicles, or to the annual energy use of 1.5 million households, or to 4.5 million tons of waste sent to landfills.

Finally, 45 percent of the operations completed in 2015 produced behavioral changes in key organizations and institutions, both public and private, which made it possible to scale up the MIF's projects, establish or improve policies and regulations, or develop new markets. Eleven of the completed projects were replicated or scaled up in various countries in the region.

LINKING THE PAST TO THE FUTURE: TEN STORIES FROM THE FIELD

Some MIF projects initiated in the last few years have begun to show results related to the MIF's three new focus areas of Climate-Smart Agriculture, Inclusive Cities, and the Knowledge Economy. To cite a few:

- A **crowdfunding ecosystem** in Mexico produced 80,000 committed funders and 1,000 successful crowdfunding campaigns in little more than a year, becoming a model for Latin America and the Caribbean and elsewhere.
- **Recyclers in Colombia** won the right to be entrepreneurs and recognition by the country's highest court for their part in the solid-waste supply chain. They more than doubled the amount of material they recycled monthly.
- 2,000 **small dairy farmers in Paraguay** were trained to produce more and better milk and therefore integrated into the dairy industry supply chain, which boosted the price they received by 28 percent.

A photograph of a group of people, likely students or staff, working on laptops in a classroom or meeting room. The image is overlaid with a blue tint. In the foreground, a person is focused on their laptop. In the background, other people are also working, and a projector screen displays a map.

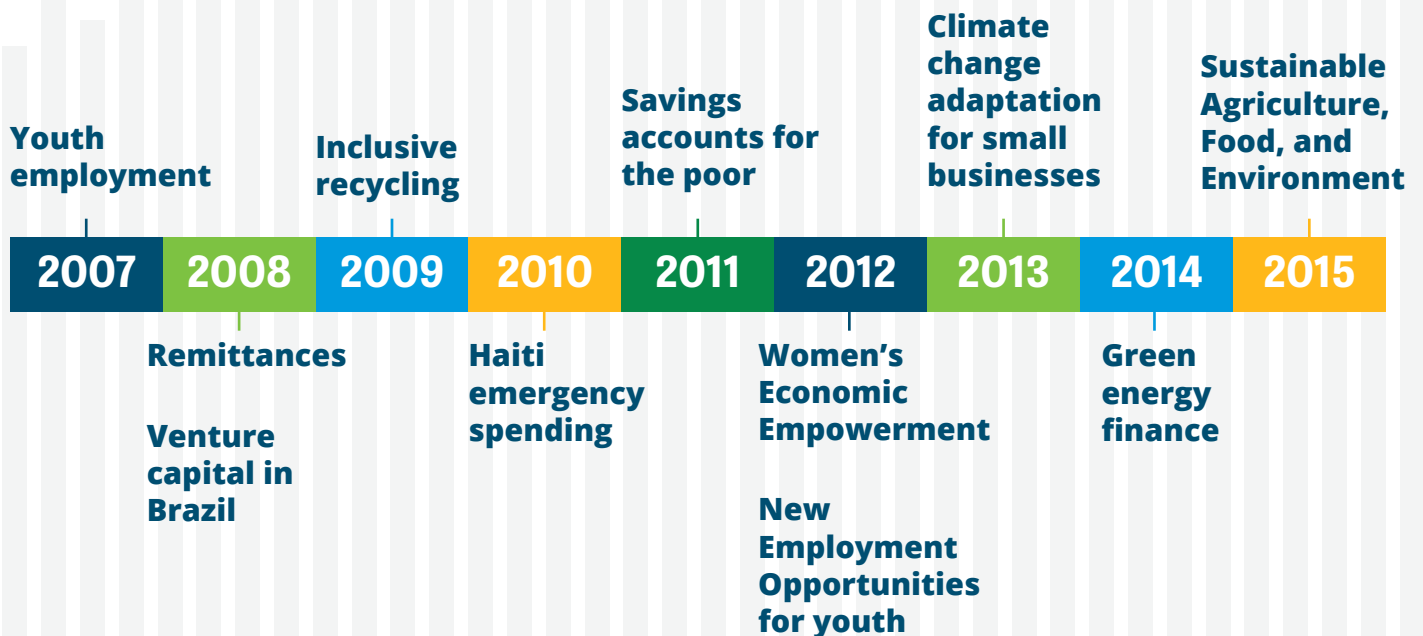
A RETROSPECTIVE LOOK AT THE MULTILATERAL INVESTMENT FUND II: 2007- 2015

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Introduction

The Multilateral Investment Fund (MIF) was created in 1993 by 21 donor countries. In 2007, 39 donor countries replenished the fund with a renewed mandate to support economic growth and reduce poverty in Latin American and the Caribbean.

This chapter highlights the major achievements of MIF II from 2007 through 2015, as it adapted and accompanied the region through changing economic and social conditions. During this period, the MIF continued fostering systemic change in critical sectors that support economic growth for poor and vulnerable populations in the region.





Haiti, 2010

MIF II Timeline

2007 was the fourth consecutive year of strong growth in Latin America and the Caribbean. Inflation held at moderate levels in nearly all countries, and fiscal and external balances remained positive for the region as a whole. Against this backdrop of stability and growth, unemployment and poverty continued to decline. However, the reduction in unemployment rates was very modest, and the costs of food and energy were rising in several countries.

2007

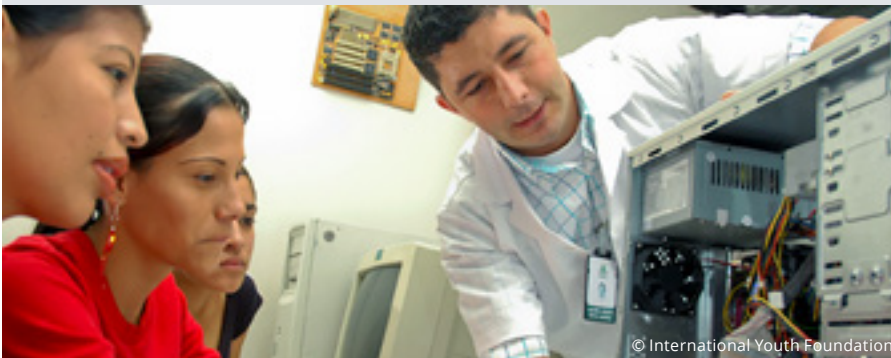
Global financial crisis begins

Youth employment

entra21, the MIF's regional youth employment program, entered its second phase. It provided disadvantaged youth ages 16 to 29 with training in information technology and job skills, and access to quality jobs. By forging partnerships between businesses, governments, and nongovernmental organizations, with the goal of creating training programs specific to the demands of local labor markets, *entra21* supplied businesses with skilled workers, and trainees with possibilities for internships and jobs. During its full lifespan, from 2001 to 2011, *entra21* benefited more than 135,000 youth in 22 countries and achieved job-placement rates of 49 percent to 54 percent.

Public-private partnership

The MIF's resources (\$675,000) helped leverage more than \$300 million in private investment in the first public-private partnership (PPP) road project in the history of Brazil. The consortium created by the project revitalized highway MG-050, a key artery in the state of Minas Gerais. By harnessing private competition, the project improved transport logistics for seven cities along the route, and improved the flow of goods from major markets such as São Paulo and Rio de Janeiro to other states.



© International Youth Foundation

2008

Remittances

The MIF's remittances program completed large-scale surveys of remittance senders and recipients for many years. The MIF made these surveys public, through press conferences and a series of events in Latin America and the Caribbean, to raise awareness of the high costs of sending the money. In 2008, the publicity generated helped drive down the cost of sending remittances, from 15 percent per transaction in 2000, to 5.6 percent. This represented a savings of approximately \$6.25 billion for migrant workers and their families that year.



2008

INOVAR

The Brazilian government's Funding Authority for Studies and Projects and Ministry of Science and Technology approached the MIF in 2000 to work on bridging gaps in the venture capital (VC) and private equity (PE) industries in Brazil. The resulting \$11 million program, INOVAR, profoundly changed the VC landscape in Brazil. The program supported the development of a supportive ecosystem for VC investments, forged institutional relationships between local and international investors, and established a regulatory framework and legal vehicles for on-shore VC/PE investment. When INOVAR ended in 2008, 45 companies had received more than \$2 billion in VC/PE investment. The program's success inspired similar efforts in other countries in the region, and the MIF launched INOVAR II that same year to focus on seed investments and the creation of angel networks.



PPPAmericas

The MIF held the first edition of PPPAmericas, a conference that has become the seminal event on innovative trends in PPPs in Latin America and the Caribbean. The conference brings together government officials and private-sector experts involved in the design and implementation of PPPs to discuss best practices in preparing projects and in managing partnerships to attract private investment. To date, the MIF has executed 18 PPPs, representing a total investment of more than \$20 million. This portfolio has catalyzed another \$4 billion in private investment.

2009



Regional Initiative for Inclusive Recycling

The MIF partnered with AVINA Foundation to cofinance programs that seek to improve the living standards of marginalized "waste pickers," by helping them become professional recyclers. With the assistance of the Inter-American Development Bank (IDB), these programs were implemented in Brazil and Peru (2008), Colombia (2009), and Argentina and Bolivia (2010). The efforts gained traction with the addition of Colombia in 2009, and were consolidated into the Regional Initiative for Inclusive Recycling in 2011, with the objective of not only helping recyclers, but also integrating them into public waste management systems and into the recycling efforts of large companies. By 2015, the initiative was being developed in 16 countries, and had benefited 17,000 recyclers. Every \$1 spent by the MIF leveraged \$4.6 from other partners. Furthermore, MIF inclusive recycling models were scaled up into Inter-American Investment Corporation (IIC) operations totaling \$79 million and IDB operations totaling \$619 million.

MiGroF

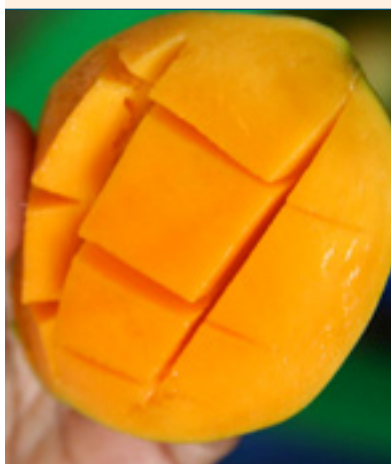
In partnership with the IIC and the United States government's Overseas Private Investment Corporation (OPIC), the MIF spearheaded the structuring of the Microfinance Growth Fund (MiGroF) to help microfinance institutions meet the needs of micro, small, and medium-sized enterprises in Latin America and the Caribbean after the global financial crisis. The partners sought funding from a diverse group of international public and private partners and raised a total commitment of \$35 million in equity capital, which allowed the fund to obtain a \$125 million OPIC loan. So far, the fund has provided medium- and long-term financing to more than 40 microfinance institutions in 13 countries, which in turn have supplied financing to approximately 4 million smaller enterprises.



2010

HESAR

Within 10 days of the catastrophic January 12 earthquake in Haiti, the MIF approved a \$3 million facility, Haiti Emergency Spending Allocation Request (HESAR). It aimed to help Haitian nonprofits and other enterprises that partnered with the MIF on development projects get back in business, and to restore the country's microfinance and remittances sectors to ensure that money flows reached recipients. Thanks to HESAR, the MIF partners were able to restart operations within four to five weeks, compared with the 12 to 14 it would have taken without support. An estimated 180,000 Haitian families benefitted from the services provided by the 16 institutions that received support.



Haiti Hope

A project to raise the income of mango growers in Haiti was financed by the MIF in partnership with Coca-Cola, the United States Agency for International Development (USAID), and the nongovernmental organization TechnoServe. The Haiti Hope project organized smallholder farmers into producer business groups. The project trained producers in best practices in production, harvest, and post-harvest techniques, and taught the groups business skills and commercialization, which helped the producers connect directly with exporters. The project reached more than 24,000 smallholders, nearly half of them women. Participants reported adopting best practices at a greater rate than non-participants: 27 percent adopted a grafting technique for higher-value mangoes, compared with 17 percent for non-participants.

2011

Fall in commodity prices begins

Tigo Paraguay

The MIF partnered with Tigo Paraguay—the country's biggest mobile service provider—on its mobile wallet called Tigo Money, which provided services such as transferring money between people for a small fee. The MIF provided support to Tigo Paraguay as it forged alliances with banks, so that its digital services could be paired with financial services. The result: Tigo Paraguay formed a partnership with Banco Familiar, which in the first six months extended nearly 45,000 loans, averaging \$270 each, through Tigo Money and its network of more than 3,000 agents. As of 2015, these credits had reached 15,000 customers who previously had no access to banking services.

ProSavings

Recipients of government social protection payments in Latin America and the Caribbean are overwhelmingly female, low income, and unbanked. The MIF launched ProSavings to support the expansion of liquid and planned savings products tailored to the needs of this population, in partnership with Citi Foundation; CAF: Development Bank of Latin America; the Australian Agency for International Development; and Canada's International Development Research Centre (IDRC). As of 2015, 60,000 conditional cash transfer recipients in six different countries had savings accounts in formal institutions because of activities financed by the initiative.



2012



WEempower & weB

The MIF created a comprehensive Women's Economic Empowerment (WEempower) initiative that sought to make gender a consideration in all of its projects, and to develop initiatives to help women entrepreneurs start and grow their businesses. WEempower's first achievement was the launching, in partnership with the IDB, of the women entrepreneurship Banking (weB) initiative at the Summit of the Americas in Cartagena, Colombia, in April 2012. weB's goal was to provide incentives to financial institutions to test innovative and inclusive lending models suited to women-owned small businesses.

NEO

Improving employment opportunities for 1 million disadvantaged youth in Latin America and the Caribbean, at least half of them female, by 2022 is the goal of the New Employment Opportunities program (NEO), which the MIF launched with the IDB, the International Youth Foundation, and a group of large companies. The initiative brings together businesses, governments, providers of youth job services, and youth themselves to design employability strategies, including market-relevant training and job-placement services. As of 2015, NEO had a presence in 12 countries and had established 10 multi-sector alliances, and 102,533 young people had participated in the program.



© Colectivo Integral de Desarrollo

2013



Proadapt

The MIF and the Nordic Development Fund jointly launched an \$11.9 million regional facility to support micro, small, and medium-sized enterprises in increasing their resilience to climate change and accessing "green" business opportunities. The Proadapt facility will work with an estimated 2,000 smaller businesses to develop new tools, business models, and knowledge that will increase their climate resilience—for example, their ability to withstand interruptions in basic services such as electricity and water. Participating businesses will receive support in accessing business opportunities that are driven by the demand for new services and products needed to protect businesses, personal property, and communities from extreme weather events.

Ejidos Forestry and Agribusiness

The MIF designed and supervised the world's first private-sector Forest Investment Program project financed by Climate Investment Funds. In collaboration with financial intermediaries, local and national governments in Mexico, and community forestry enterprises, the Ejidos Forestry and Agribusiness project created a guarantee fund to provide access to formal credit for community members who individually farm designated parcels on communal land and collectively maintain communal holdings, known as *ejidos*, on that property. The project also sought to demonstrate that community forestry enterprise projects are financially viable and deliver social, economic, and environmental benefits.



2014



© Galpão Aplauso

Galpão Aplauso

A program that uses the performing arts as an avenue to employment for at-risk youth in the slums of Rio de Janeiro, Brazil was recognized with a Development Impact Honors award from the United States Treasury Department. The MIF partnered with Instituto Stimulu Brasil, known as

Galpão Aplauso, in 2009 to increase job opportunities for the youth, using performance activities such as dance and theater to teach key life skills like cooperation and leadership, and also delivering training in literacy, numeracy, and workplace skills. As of 2014, more than 500 youth had completed the program; 85 percent had found jobs. In 2015, the MIF approved a project to expand the successful model to other regions in Brazil.

EcoMicro

The MIF's EcoMicro green energy finance program was recognized as a "2014 Lighthouse Activity" by the Momentum for Change Initiative of the United Nations

Framework Convention on Climate Change, which highlights shining examples of climate change solutions. EcoMicro develops finance products for Latin American and Caribbean microfinance institutions that they can offer to small enterprises and low-income households to help them access clean energy, increase their energy efficiency, or adapt to the effects of climate change. The program, cofinanced by the MIF and the Nordic Development Fund, also helps microfinance institutions "green" their operations and reduce their loan portfolios' vulnerability to climate change.



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2015

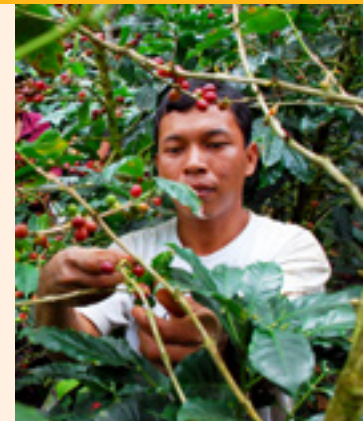
SAFE

A new partnership aims to coordinate agricultural sustainability efforts in Latin America and the Caribbean. The SAFE (Sustainable Agriculture, Food, and Environment) platform was established in August 2015 by the MIF with initial funding of \$2.6 million. The founding members of SAFE—including Starbucks, Keurig Green Mountain, Catholic Relief Services, and the Grameen Foundation—have committed to supporting 150,000 small farmers of various crops with financing and services that allow the farmers to expand their production and to strengthen their linkages with higher-value markets. Initial support will go to coffee and cocoa producers in Central America and the Andean region.

NAMA

Significant advances were made toward the world's first Nationally Appropriate Mitigation Action (NAMA) for an agricultural product, in the Costa Rican coffee sector, with the support of the MIF and other IDB Group units.

NAMA, which emerged at the United Nations Climate Change Conference in 2007, consists of policies and actions to reduce greenhouse gas emissions. The Costa Rica plan, which aims to reduce the impacts of fertilizers and coffee processing waste, sets the global standard for one of the most important economic sectors in Latin America and the Caribbean. Its pilot projects are expected to create 50,000 more competitive and climate-resilient coffee farming facilities, and reduce emissions by 1.8 million tons.



In **2015**, Latin America and the Caribbean faced an uncertain global scenario. Key commodity prices had fallen to their lowest levels in more than a decade. Economic, political, and social growth slowed, and it was unclear whether improvements achieved in previous years could be sustained. Pressures increased on countries that were net exporters of commodities, and economic conditions worsened for countries that were less integrated into the global financial system.



© Chris Megargee/Multilateral Investment Fund

Clearing a Path for Commercial **MICROFINANCE** and Financial Inclusion

The MIF has been a leader among multilateral and bilateral development institutions in supporting the growth of the microfinance sector in Latin America and the Caribbean:

- In the past 10 years (2006-2015), the MIF approved more than 200 projects, totaling \$292 million, that support financial inclusion—the delivery of financial services at affordable costs to disadvantaged and low-income populations.
- The MIF has supported about 250 institutions working in financial inclusion, or close to one of every three institutions in the region, either directly with loans, equity, and/or grants, or indirectly through specialized investment funds.
- The number of individual beneficiaries has surpassed 5 million.
- The MIF set a goal in 2007 of tripling the amount of microcredit available in Latin America and the Caribbean in five years, and saw that goal realized in 2012, when the portfolio reached \$20 billion. (Recent estimates give the total microcredit portfolio in the region at \$40 billion for more than 20 million clients.)

One of the MIF's crucial roles has been as a provider of seed capital to create and strengthen emerging microfinance institutions and help them evolve into specialized banks or regulated financial entities.

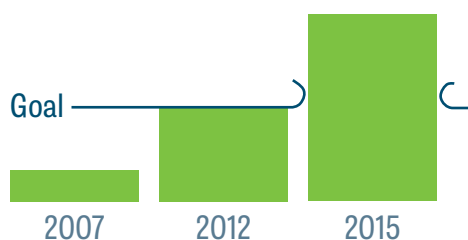
Today, about 70 percent of all microcredit clients in Latin America and the Caribbean are served by regulated institutions that have developed new delivery channels—such as ATMs, banking agents, and mobile phones. This is a marked contrast with the 1990s or even early 2000s, when most new development was by nongovernmental organizations.

More generally, the MIF has worked to create the foundations of a solid microfinance industry in Latin America and the Caribbean by building up individual financial institutions, testing new lending methodologies and products, and leveraging funds.

MIF technical cooperation grants have been used to support regulators, bank associations, and rating agencies. This was accompanied by specialized research and financial inclusion events, to disseminate lessons learned and best practices.

Pioneering achievements include:

- **ProFund**, the world's first specialized microfinance investment fund, launched in 1996. This was followed by several microfinance investment funds that experimented with new ideas and funding structures, which have gradually been adopted by private investment funds, for example, funds focused on topics such as local currency lending and rural finance.
- **Products** that take advantage of new technologies, such as mobile wallet initiatives in Paraguay and Peru.
- **Foromic**, the annual MIF conference on financial inclusion in Latin America and the Caribbean. It has become the premier platform for networking about this topic, and the venue where national initiatives in financial inclusion are showcased regionally.
- **The Microscope report and index**. In 2007, the MIF championed the first tool to analyze the business environment for financial inclusion in Latin America and the Caribbean, with the creation of the first *Global Microscope*. The report has scaled to 55 countries globally, and it is one of the dominant publications on financial inclusion.



The MIF set a goal in 2007 of tripling the amount of microcredit available in Latin America and the Caribbean in five years, and saw that goal realized in 2012

From Investor, to Catalyst, to Connector in **VENTURE CAPITAL**

Support for small and medium-sized enterprises often pays the greatest developmental dividends for one simple reason: these businesses create the vast majority of jobs in the formal economy, providing, on average, 66 percent of jobs worldwide and the greatest share of jobs in low-income countries.

These companies often have difficulty obtaining much-needed early-stage financing in the form of equity investments, loans, insurance, and other financial products necessary for managing risk and funding further growth. Therefore, the MIF focused on stimulating the development of the venture capital industry in Latin America and the Caribbean.

- The MIF has invested \$280 million in 74 **early-stage venture capital funds** that are active in more than 20 countries in the region, leveraging more than \$1.1 billion in co-investment by other parties.
- The MIF's venture capital portfolio has provided funding for more than 660 **individual small businesses**; these firms have generated more than \$1 billion in revenues and created more than 28,000 jobs.
- Given that **women entrepreneurs** receive only 5 percent of venture capital finance globally, the MIF has explicitly targeted women in its startup and early-stage equity investments.

As the venture capital industry developed in Latin America and the Caribbean, the MIF's role shifted to that of a catalyst fostering the entrance of private-sector investors, and providing added value because of its knowledge of local markets.

The MIF helped expand the frontiers of venture capital by creating vehicles for smaller business than the incipient industry was targeting, venturing

into underserved geographic regions or countries, and financing new industry sectors (eco-friendly investments, clean technologies, education, and fintech).

The MIF also has taken an ecosystem approach to building the sector by providing grants to train and support investors that are new to the region, local emerging fund managers, and entrepreneurs; creating investor networks and industry associations; and helping governments develop appropriate policies and regulations.

In 2013, the MIF undertook the consolidation of the angel investment segment in Latin America and the Caribbean. Partnering with the Institute of Entrepreneurship Studies of Montevideo, it implemented a groundbreaking regional program to support entrepreneurs, investors, and angel networks. The program gave financial assistance to more than 20 networks in 12 countries; and provided training, access to information, and contacts to more than 60 other networks.

In 2015, the MIF commissioned an impact study on the effectiveness of three recent venture capital fund investments that are representative of its active portfolio, including regional seed fund NXTP Labs (see pages 18 and 78). The study shows that the MIF's funding and engagement markedly improved the venture capital ecosystems in which the funds operated. Additional benefit came from the MIF offering networking opportunities and business training to the companies, as well as providing risk capital in equity- and credit-constrained environments.

Going forward, the MIF increasingly will work as a connector between regional markets and global markets, helping entrepreneurs internationalize their companies beyond Latin America and the Caribbean.



\$1 invested in venture capital can generate up to \$6.45 in economic activity through wages, payments to providers, and taxes



“It is clear that the MIF has supported funds that are expanding the local venture capital ecosystem and creating role-model companies that demonstrate the opportunities available through entrepreneurship.”

—Bella Research Group impact study, April 2015



A Woman-Led **EARLY-STAGE COMPANY** Offers Tech-Driven Jobs to Low-Income People

Zolvers, a tech-driven startup founded in Argentina, has developed an online and mobile marketplace that matches clients with cleaners, plumbers, and other maintenance specialists. After two years of piloting its digital matchmaking platform, Zolvers is on its way to becoming a B Corporation—a firm that uses the power of business to solve social problems—with a presence across Latin America.

“Te ponen en blanco,” says Nancy Sanchez, 61, a Zolvers housekeeper in Buenos Aires, using a phrase that means she is now part of the formal employment system. Zolvers’ policies encourage its clients to offer workers contracts, social security payments, and other benefits. Furthermore, Zolvers’ fixed rate of payment for its employees is almost 40 percent higher than the average hourly rate in Argentina. The company also operates in Chile, Colombia, and Mexico.

Zolvers has 50,000 registered service providers and 180,000 clients. Women offering housekeeping services make up the bulk of its workforce.

The company was born two years ago when two women, Cecilia Retegui and Mariana Sorribes, teamed up after crossing paths at **NXTP Labs**—a MIF-sponsored regional early-stage fund that accelerates entrepreneurs with seed funding and mentoring. The MIF invested in NXTP Labs in 2012 as one of its venture capital fund investments (see page 16).

“We don’t invest in projects. We invest in people,” says Marta Cruz, one of NXTP Labs’ four founders who, inspired by Silicon Valley’s Y-Combinator, in 2011 disrupted the realm of investment in Latin America and

created the region’s first early-stage fund/accelerator focused entirely on tech-driven companies.

The new fund discovered that what entrepreneurs need most in their early stages is not capital alone, but “relational investors that offer intelligent capital, open doors, share contacts, and transfer knowledge,” Cruz says.

NXTP Labs asks its investors for a relatively small amount, but also requires them to offer their time as mentors. The fund has raised \$38.5 million and invested in 174 companies, nine of which have been successfully sold for a profit (the most recent example and most profitable has been Tutum). The fund also has a pool of 200 mentors.

And five years after its inception, NXTP Labs has created 1,200 jobs in startups that it has funded, and nearly 84,000 “indirect” jobs in suppliers and distributors.

Although NXTP Labs was not initially designed to focus on social impact, some of the startups it has supported, like Zolvers, are hiring or otherwise benefiting low-income or otherwise vulnerable people. Another investment, **Sattellogic** (which may well become the fund’s first “unicorn,” or firm with a market valuation of more than \$1 billion), is building a “constellation of satellites” around the earth whose data may help address key social and environmental issues.

Moving forward, the MIF will focus on similar tech-driven funds and startups that have social impact as a main driver for success.



© Zolvers

“We don’t invest in projects. We invest in people.”

—Marta Cruz, NXTB Labs cofounder



© Zolvers



© Yukari Shibuya/Multilateral Investment Fund

Leveraging Global Funds to Confront **CLIMATE CHANGE**

The Latin American and Caribbean region is endowed with natural resources that are of crucial importance to its sustainable development. The increasingly intense effects of climate change on these resources have economic, social, and environmental implications that disproportionately affect poor and vulnerable populations in the region.

At the same time, countries' commitments to mitigate climate change effects require them to develop low-carbon solutions in areas spanning from renewable energy to agroforestry.

In the last few years, the MIF's climate change work has evolved to include mitigation and adaptation initiatives in urban areas, coastal zones, forests, and agricultural lands. Initiatives include an urban renewal project to prevent flooding in an historic area of Tegucigalpa, Honduras; and innovative financing and insurance mechanisms—for example, insurance for low-income smallholder farmers in Central America and Paraguay that bases payouts on triggering weather events.

The MIF plays a unique role within the IDB Group, partnering with various global climate funds—Climate Investment Funds, Global Environment Facility, and Green Climate Fund—to support private-sector-led solutions to climate problems.

Some \$39 million in MIF funding is leveraging \$745 million in international climate funds cofinancing. The MIF has received regional and global recognition for its transformative climate change initiatives:

- The world's first **Nationally Appropriate Mitigation Action (NAMA)** for an agricultural product, in the Costa Rican coffee sector. The MIF provided support for the NAMA, which aims to reduce the negative impacts of fertilizers and coffee-processing waste and improve smallholder farmers' productivity.
- The world's first private-sector **Forest Investment Program** project financed by Climate Investment Funds, in Mexico. The MIF designed this project, which created lines of credit and training programs for forest enterprises located in low-income communities and in *ejidos*—lands that are titled and used communally.
- The **EcoMicro** program, which develops green products for Latin American and Caribbean microfinance institutions that they can offer to small enterprises and low-income households to adopt clean energy, improve their energy efficiency, or adapt to the effects of climate change. The MIF won a United Nations Framework Convention on Climate Change Award for this program in 2014.

Going forward, the MIF will step up its involvement with climate funds and climate change initiatives. Two of the three newly established focus areas of the MIF—climate-smart agriculture and inclusive cities—prioritize climate change mitigation and adaptation solutions in rural and urban environments.



**\$39 million in MIF funding is leveraging
\$745 million in international climate funds
cofinancing**



Harnessing the Power of **REMITTANCES**

Today, remittances to Latin America and the Caribbean add up to more than \$65 billion annually. However, before the year 2000, it would have been impossible to make such a statement. There was little factual information available on the flow of money across borders.

During the following decade, the MIF undertook an intensive effort to analyze the volume, transaction costs, and **potential impact on economic development of international remittance flows** to Latin America and the Caribbean.

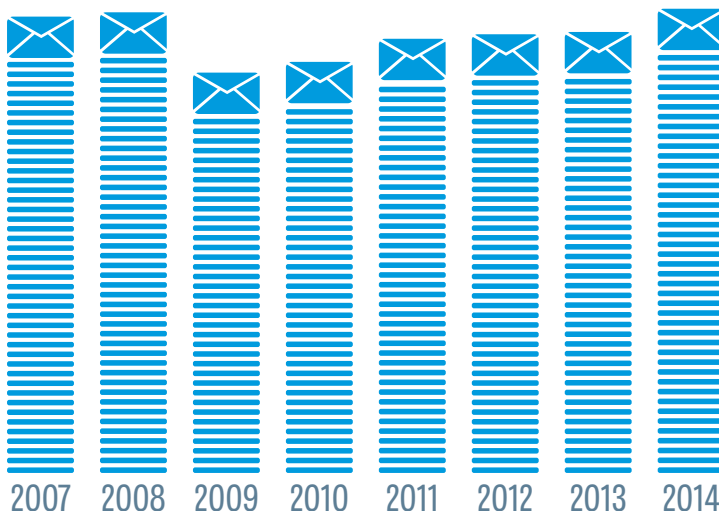
The MIF has committed close to \$30 million in investments in the private sector, and approximately \$50 million in more than 50 technical assistance projects to help both public- and private-sector entities build remittance markets and make them more secure and efficient.

The MIF's work **contributed to a significant decrease in the cost of sending remittances**, from 15 percent of the amount being sent before 2000, to about 5 percent in 2010, benefiting millions of immigrants and their families. In addition, the MIF's work improved official data measurement, promoted appropriate regulations, and increased remittance clients' access to financial services—all of which positioned the MIF as a leader in this topic.

The MIF has **promoted the development of supportive laws and regulations** and the increased availability of disaggregated remittances data (including origin, destination, collection and payment methods, and type of remittance service provider), to enable more private-sector innovation in this area. The MIF's remittances partners include the World Bank and other multilateral organizations, and CEMLA, the association of central banks in Latin America and the Caribbean.

In 2014, remittances to the region set a new record high of \$65.4 billion, surpassing pre-financial crisis levels observed in 2008. For countries such as El Salvador, Honduras, Guyana, and Haiti, these flows represent more than 15 percent of their gross domestic product (GDP).

Given the importance of these flows, the IDB Group is now scaling the work that was tested with MIF support and is committed to bringing more remittance clients into the formal financial system.



In 2014, remittances to the region set a new record high of \$65.4 billion, surpassing levels observed in 2008, before the financial crisis. For countries such as El Salvador, Honduras, Guyana, and Haiti, these flows represent more than 15% of their GDP.

Taking a Comprehensive Approach to **YOUTH EMPLOYABILITY**

7.8 million of the region's young people are looking for work. Unemployment for these 15-24-year-olds averages 13.6 percent, nearly three times the adult unemployment rate. This figure is particularly high for young women, at 17.2 percent. Yet at the same time, nearly half the employers in Latin America and the Caribbean reported difficulty in filling jobs in 2015.

It's no easier for young people who try the route of entrepreneurship. Very few financial institutions provide financial services to youth.

The MIF's experience—gained from more than 120 projects in more than 20 countries focused on youth employment and entrepreneurship—has shown that programs with the best results take a comprehensive approach, combining technical and life-skills training with internship experience, job-placement services, and counseling support. Similarly, in youth entrepreneurship training, successful models offer a range of services, from core business skills to mentoring.

A 2012 external evaluation of the MIF's youth-training portfolio found that overall, the projects successfully targeted poor and vulnerable youth (roughly 25 percent of beneficiaries fit this category), and improved both their employability and their earnings.

- **Training scaled up.** MIF projects directly trained more than 235,000 youth. Furthermore, MIF programs such as *A Ganar* and *entra21* were replicated by public- and private-sector organizations, which have trained even larger numbers.
- **High job-placement rates.** Rates for the overall portfolio were between 50 percent and 70 percent.

- **Better, high-paying jobs.** Rigorous randomized controlled trials that evaluated the MIF's youth programs in Argentina and Brazil show that average monthly earnings for participating youth were \$100 higher in Argentina and \$60 higher in Brazil. In Argentina, the evaluation also found evidence of increased salaries 18 months after the program ended.

The MIF responded with two initiatives to scale its results:

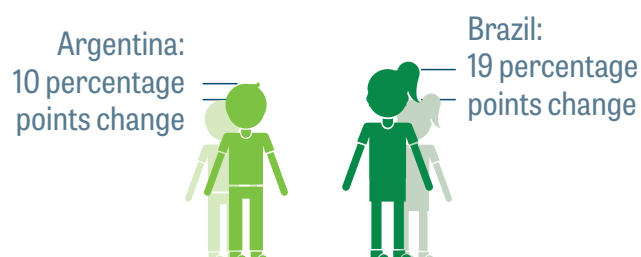
1. **New Employment Opportunities (NEO).**

Launched in alliance with five multinational companies, plus governments and civil society organizations, the initiative sets the ambitious goal of training 1 million youth, placing half of them in jobs, and mobilizing at least 1,000 companies to offer internships and jobs. It aims to work with its different stakeholders to scale up the most effective models throughout the region.

2. **Technology Fund for Youth Labor**

Intermediation Program. Cofinanced by the MIF and Microsoft, this program achieved employment rates of 40 percent for the 6,000 youth that participated—and as high as 60 percent for youth who simply improved their software competencies. The program was executed by an Argentine foundation, in partnership with 29 civil society organizations, in nine very different countries.

Moving forward, the MIF's youth work will focus on a third generation of programs and projects, more focused on the insertion of youth (especially young women) in knowledge economy jobs. Recent projects like "Laboratoria" in Peru and "Women in STEM" with RedEmprendia already embrace this principle.



Randomized controlled trials commissioned to evaluate the MIF's youth programs in Argentina and Brazil show consequential and lasting impacts, including improved employment



© Partners of the Americas



© Colectivo Integral de Desarrollo



A Hub for Knowledge about **PUBLIC-PRIVATE PARTNERSHIPS**

To meet growing infrastructure requirements, the region is increasingly turning to the private sector for funding and direct engagement. In Latin America and the Caribbean, public-private arrangements are gaining ground, in alignment with the principles of the United Nations' Sustainable Development Goals and its Financing for Development conference in Addis Ababa in 2015.

The MIF has an impressive track record with PPPs in the region, having:

- deployed more than **\$20 million in advisory projects** in the last 10 years, serving as a catalyst for more than \$4 billion in private investment in PPPs; and
- implemented **18 technical cooperation projects in 16 different countries** that:
 - enabled governments to pass 28 supportive laws and regulations that help attract private investment;
 - helped train more than 2,200 public-sector specialists; and
 - helped national and local governments establish 22 dedicated government units that are responsible for leading the development and implementation of PPPs.

The MIF's work—often carried out in collaboration with other donors, including the World Bank and Caribbean Development Bank—has made it an internationally recognized PPP knowledge hub for Latin America and the Caribbean.

One example was an \$8 million initiative in 2012 to help national governments in small and less-developed countries and inexperienced local governments attract private-sector participation in infrastructure projects, and design, execute, and manage PPPs. The focus was on “green” PPPs with environmental benefits, and social sector PPPs that support health, education, and urban sustainability.

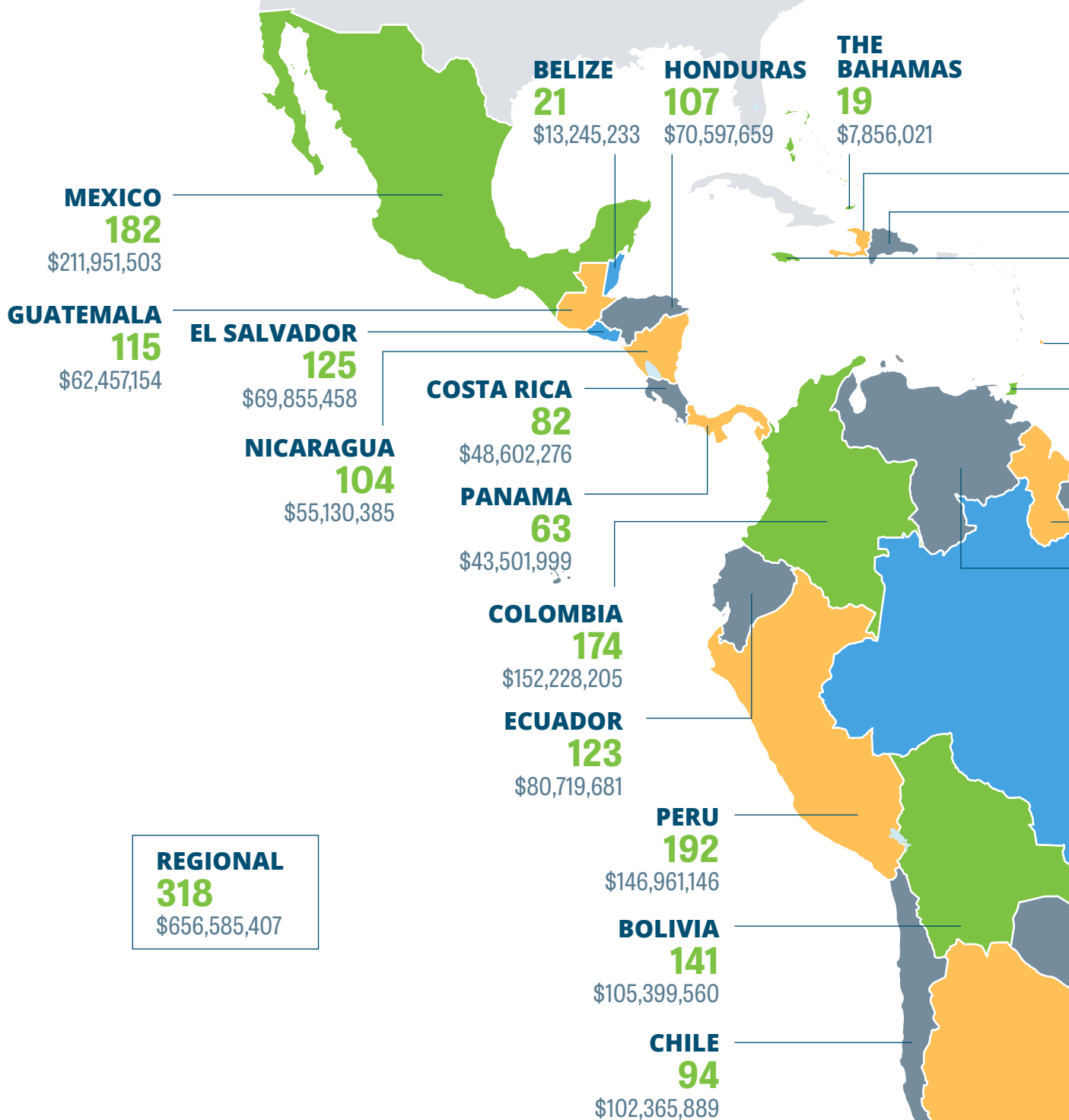
In addition to funding and technical assistance, the MIF has supported the exchange of best practices related to PPPs through a variety of tools: various technical papers, advisory services, an international conference, and—most recently—a Massive Open Online Course (MOOC).

Since 2008, the MIF has organized **PPPAmericas**, a conference that brings together government officials and private-sector experts involved in the design and implementation of PPPs to discuss lessons learned and best practices. The conference's seventh edition, in Santiago, Chile, in June 2016, attracted more than 400 participants.

In response to the growing demand for and interest in PPPs, in 2015 the IDB Group—with assistance from the MIF—launched the **first MOOC on PPPs**, which explains how to plan, design, and implement the projects in Latin America and the Caribbean. This course is part of a series of MOOCs on development topics developed by the IDB Group with edX, the MOOC platform of Harvard University and the Massachusetts Institute of Technology.



28 laws and regulations have been passed, and more than 2,200 public-sector specialists have received training



WHERE WE WORK

Projects and dollars mobilized

Shows data for the MIF, 1993-2015. Includes projects belonging to the IDB's Social Entrepreneurship Program, administered by the MIF since 2007.

HAITI
70

\$57,330,198

JAMAICA
49

\$30,789,959

**TRINIDAD
& TOBAGO**
40

\$25,899,194

**DOMINICAN
REPUBLIC**
83

\$54,885,149

BARBADOS
22

\$5,767,008

SURINAME
16

\$6,404,574

GUYANA
26

\$11,241,151

VENEZUELA
45

\$20,434,937

BRAZIL
182

\$235,451,680

PARAGUAY
85

\$50,799,017

URUGUAY
101

\$65,910,904

ARGENTINA
105

\$129,966,117

MIF II IN NUMBERS

2007-2015

847

Approved projects



Almost \$1 billion

Approved for MIF projects
(\$992.3 million)



**An additional
\$2.7 billion**

Mobilized for the region
by MIF approvals



2,000

Institutions the MIF
has partnered with



OPERATIONAL HIGHLIGHTS

Overview

The MIF portfolio continued to be vigorous and well diversified in 2015, with more than 400 projects benefiting 25 countries throughout Latin America and the Caribbean. One in every three projects targeted “D” countries—those with the lowest levels of development under the IDB Group’s A to D classification. The MIF’s projects addressed a variety of needs: from delivering financial services at affordable costs to low-income populations; to providing early-stage financing to nourish small enterprises, specifically targeting women entrepreneurs; to undertaking climate-change mitigation and adaptation initiatives in urban areas, coastal zones, forests, and farms.

The main focus remained on technical cooperation projects that provided funding in the form of grants, which composed the largest share of the portfolio and the majority of approved projects in 2015. Equity investments were more predominant in the MIF’s financial portfolio, which also included a variety of long-term debt products.

Of particular relevance is the increase in the MIF’s resource mobilization ratio in 2015, as more third-party funds were pooled into MIF projects. This reflected increased efforts by the MIF to identify catalytic interventions that could attract additional funding. The performance of the portfolio continued to be satisfactory, with the large majority of projects achieving their intended development and financial goals.

That said, 2015 was a year of streamlining for the MIF as it approached its second replenishment. While meeting its program targets, the MIF gradually slowed down its rate of new approvals and slightly reduced its number of projects under execution.

Current Active Portfolio

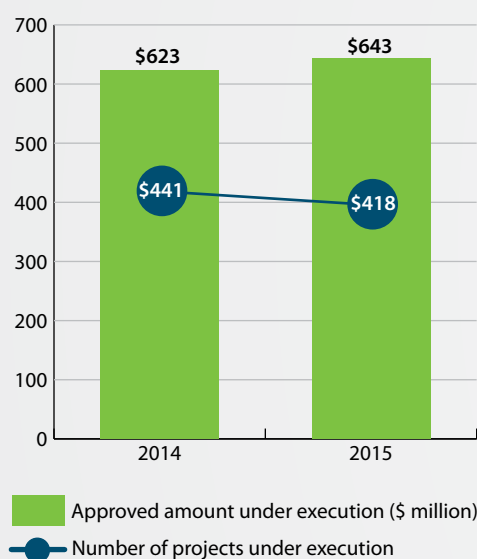
The MIF ended the year with a portfolio in execution of 418 projects, representing \$643 million in approved funds.¹ Beneficiary countries were dispersed throughout Latin America and the Caribbean. Among subregions, Central America had 122 projects (29 percent of the total), the Southern Cone had 87 (21 percent), and the Andean countries had 77 (18 percent). There were 86 regional projects (21 percent) that covered multiple countries.² Of the 418, 141 projects (34 percent) benefited D countries.

Among the needs addressed, four topics had the largest numbers of projects: financial inclusion (72, 17 percent), value chains and regional economic development (69, 17 percent), early-stage equity (49, 12 percent) and environment and clean energy (44, 11 percent).

The active portfolio was slightly smaller than during the previous year in terms of projects, but slightly larger in approved value. Grants continued to dominate the MIF portfolio with 58 percent of approved funds, followed by equity investments with a 38 percent share, and loans with a 4 percent share. The composition of the financial portfolio continues to reflect the MIF's appetite for equity, which bears greater risk. The MIF's debt products include subordinated loans and higher-risk tranches in investment vehicles, which are in limited supply in local markets.

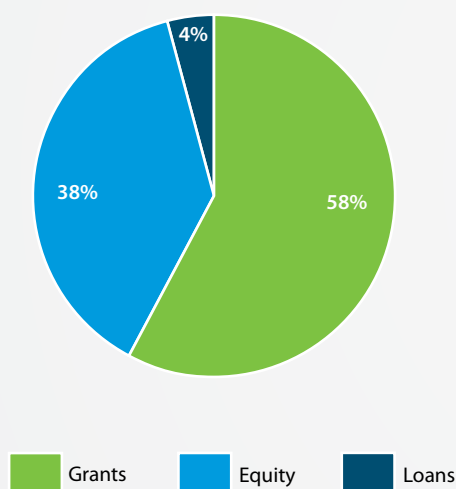
MIF ACTIVE PORTFOLIO

AS OF DECEMBER 31, 2015 (\$ MILLION)



MIF ACTIVE PORTFOLIO BY INSTRUMENT

(SHARE OF APPROVED AMOUNT)



¹ Active projects are between the period of approval and the period of full disbursement or cancelation of funds.

² Subregions follow the categorization of the IDB Group.

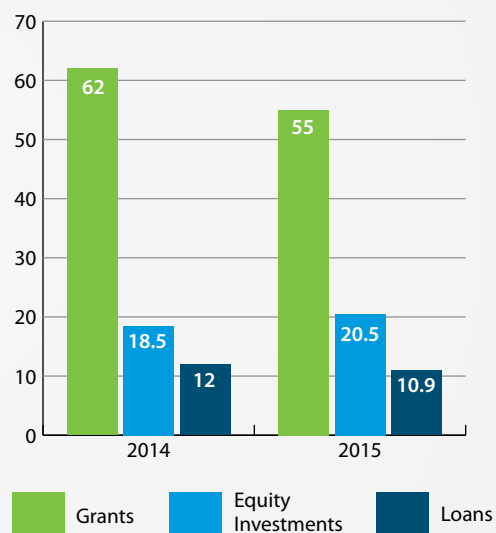
Approvals

In 2015, the MIF approved 73 projects totaling \$86.4 million,³ compared with 78 projects and \$92.6 million the previous year. The majority of new approvals were in the form of grants (\$55 million, or 64 percent of funds), followed by equity investments (\$20.5 million, or 24 percent of funds) and loans (\$10.9 million, or 12 percent of funds).

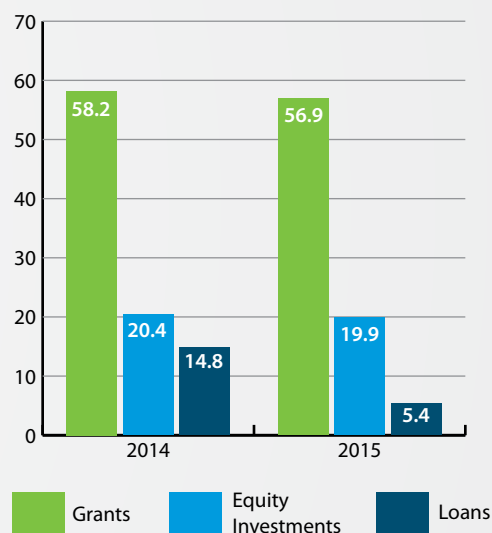
Disbursements

In 2015, the MIF disbursed a total of \$82.2 million, including \$58.2 million in grants, \$19.9 million in equity investments, and \$5.4 million in loans. Overall, disbursements were lower than the \$93.4 million in 2014.

APPROVALS BY INSTRUMENT
(\$ MILLION)



DISBURSEMENTS BY INSTRUMENT
(\$ MILLION)



³ In addition, the MIF approved \$2.15 million in fund increases for investment operations that had been approved in previous years.

Resource Mobilization

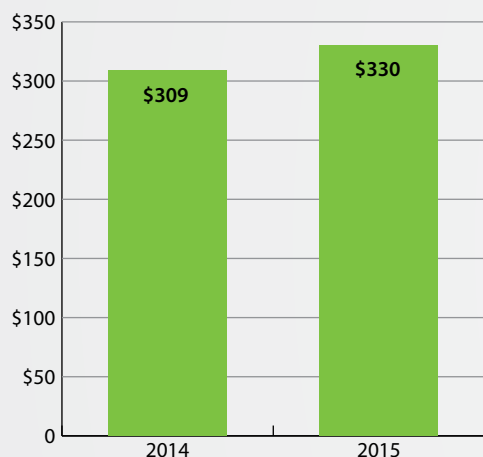
The MIF continues to play an important role in mobilizing additional resources. In 2015, it mobilized \$330 million in third-party funding to be deployed across Latin America and the Caribbean, up from \$309 million in 2014. This represents \$3.8 of additional funds per dollar approved, up from \$3.3 the previous year. Of particular relevance is the resource mobilization ratio achieved by financial projects, where the MIF typically plays a catalytic role, either as an anchor investor or by taking debt tranches that are high risk. In 2015, each dollar approved in equity investments mobilized an additional \$7.1 from third-party investors, and each dollar approved in loans mobilized an additional \$5.0 from other creditors.

Performance

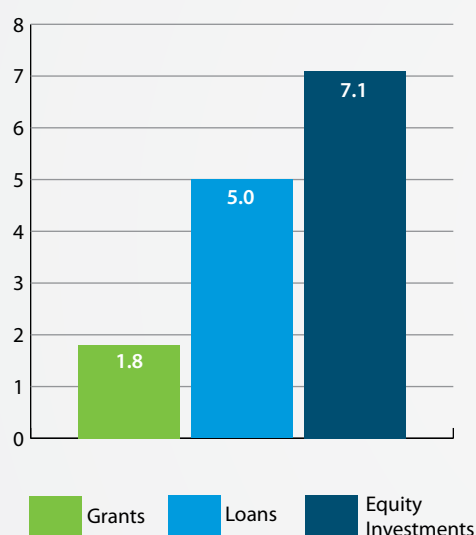
At the end of 2015, the MIF's active portfolio of grants, loans, and investment projects had the following performance:⁴ 85 percent was classified as green flag, meaning the projects were on track to meet implementation milestones; 11 percent was yellow flag, indicating cause for concern; and 4 percent was red flag, or unsatisfactory status.

Overall, the performance of the MIF portfolio did not vary significantly from the previous year. The share of green- and yellow-flag projects increased by 1 percent, and the share of red-flag projects declined by 2 percent.

THIRD-PARTY AMOUNT MOBILIZED
(\$ MILLION)



MOBILIZATION RATIOS PER INSTRUMENT
(AMOUNT MOBILIZED PER DOLLAR APPROVED)



⁴ Includes only active projects that have been assigned a performance rating in the MIF's Project Supervision Report, Annual Supervision Report, and Annual Fund Supervision Report systems.

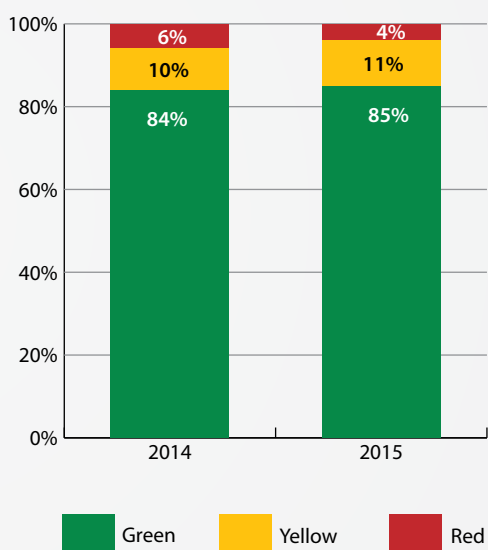
A breakdown by instrument shows that 92 percent of grants performed satisfactorily: 8 percent were classified as yellow flag and only 0.4 percent as red flag. Loans and equity investments had greater shares of yellow- and red-flag projects, given their high-risk nature. Equity was the instrument with the greatest share of red flags, but still under 20 percent.

Some of the main reasons for the poorer performance of red and yellow grants were institutional deficiencies in executing agencies, lack of counterpart funding, poor project management, and lack of alignment between the priorities of the executing agencies and those of the MIF. Issues found in underperforming loan and investment operations were related to deteriorating operating environments, adverse currency fluctuations, and management and governance problems.

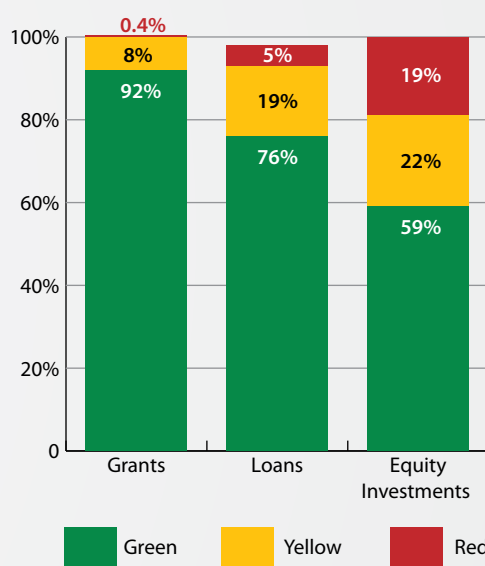
Social Entrepreneurship Program

In addition to managing its own funds, the MIF administers the Social Entrepreneurship Program (SEP), which uses IDB funding to develop market-driven projects with grassroots organizations. In 2015, the SEP approved 10 projects totaling \$10.3 million, up from \$8.8 million the previous year. These projects are expected to benefit nearly 10,000 low-income people in seven countries. They will integrate smallholder farmers into high-value markets in coffee, pepper, honey, and cocoa; help implement sustainable farming practices in Haiti, Honduras, Chile, Peru, and Colombia; and promote financial inclusion in rural areas with new financial products in El Salvador, Colombia, and the North of Argentina. More information on the SEP performance and financial results in 2015 is provided in Annex B.

**PERFORMANCE OF THE
MIF PORTFOLIO IN EXECUTION**
(SHARE OF PROJECTS)



PERFORMANCE BY INSTRUMENT
(SHARE OF PROJECTS)



The background of the page is a photograph of a person in a rainforest, holding a plant. A large circular graphic is overlaid on the image, consisting of a dark blue outer ring and a yellow inner ring. The text "FINANCIAL PORTFOLIO" is centered within this circle in white, bold, sans-serif capital letters. On the left side of the image, the letters "A" and "2" are faintly visible in a yellow color.

FINANCIAL PORTFOLIO

© Archivo Rainforest Alliance

Overview

A core aspect of the MIF's value proposition as an innovation laboratory is its ability to provide a variety of financing products to private-sector organizations. The MIF uses flexible instruments to support innovative and high-impact business models that can be brought to scale through the market. Its approach is to take calculated risks in early models, and crowd in third-party investments as they evolve. This has enabled the MIF to play a catalytic role in the birth and expansion of transformational industries in Latin America and the Caribbean, including microfinance, venture capital, fintech, clean energy, and most recently, impact investing.

In 2015, the MIF followed a very selective investment approach, pursuing deals that were at the cutting edge of innovation in their respective markets. In addition to microfinance institutions, the MIF began investing in a number of fintech companies providing novel solutions for financial inclusion. Investments in venture capital emphasized highly specialized funds developing sector strategies in technology and renewable energies. In addition, the MIF continued supporting the first crop of impact investing funds in the region, which cover developmental sectors such as low-income housing, affordable education, health care, and clean energy.

Approvals of loans and equity investments in 2015 were slightly higher than in the prior year, demonstrating the MIF's efforts to act countercyclically during a period of credit contraction throughout Latin America and the Caribbean. Nonetheless, slower growth, unfavorable currency fluctuations, and overall market uncertainty have affected the MIF's financial portfolio, which generated less income and recoveries than in 2014. In spite of the external challenges, the majority of MIF loans and investments continued to perform satisfactorily.

Investment and Loan Portfolio

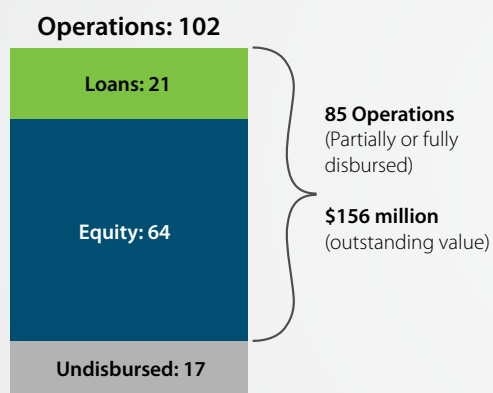
The MIF's investment and loan portfolio at the end of 2015 was comprised of 102 operations, 85 of which were fully or partially disbursed, and 17 of which were recently approved and had not yet disbursed. The total outstanding value was \$156 million (\$212 million disbursed minus \$54 million recovered and \$2 million in write-offs). Compared with 2014, the active portfolio had four fewer operations, but \$24 million more in outstanding value.

Equity investments (early-stage funds and financial intermediaries) continued to dominate the portfolio, with 85 percent of the outstanding value. The estimated Net Asset Value of equity positions was \$94 million, or 71 percent of their outstanding value, as of December 2015. The investments were deployed across venture capital funds, microfinance institutions, and microfinance investment funds. Debt products (senior and subordinated loans) represented 15 percent of the outstanding portfolio.

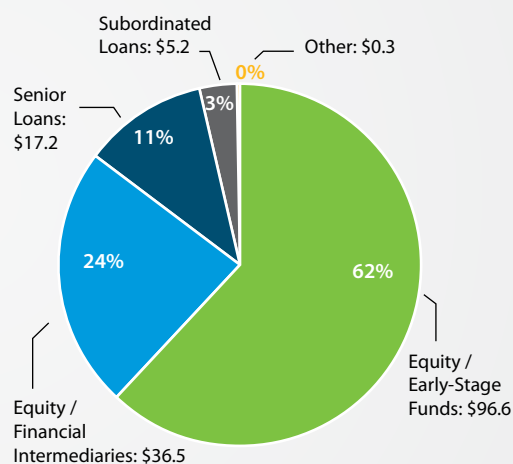
With a relatively large number of operations, the MIF investment and loan portfolio was well diversified. Active operations were spread across 20 countries and comprised multiple industries, including financial inclusion, fintech, and venture capital. The MIF's indirect exposure through investment funds included more than 15 industries, among them agribusiness, computer software, health, biotechnology, manufacturing, transportation, education, clean energy, housing, and information technology.

In addition, the MIF portfolio contained financial products with diverse risk and return expectations. Nearly 38 percent of the outstanding portfolio was comprised of operations with financial intermediaries that had moderate return expectations but more predictable cash flows. The other 62 percent was equity investments in multi-sector funds with higher return expectations but less predictable cash flows.

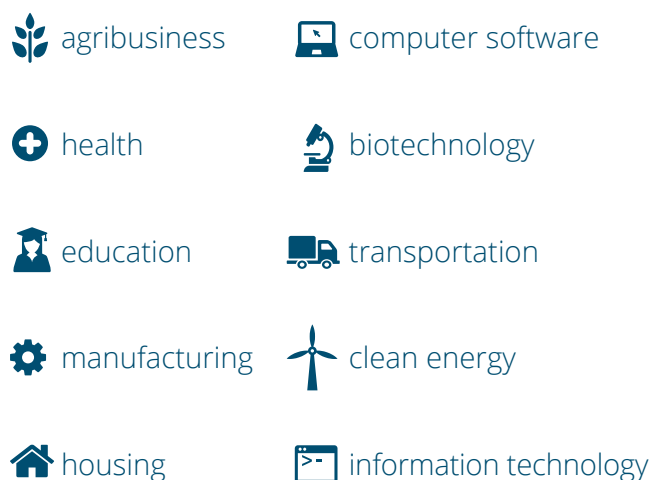
ACTIVE INVESTMENT AND LOAN PORTFOLIO AS OF DECEMBER 31, 2015



OUTSTANDING VALUE BY TYPE (\$ MILLION)



The MIF's indirect exposure through investment funds included more than 15 industries, among them:



Originations

The MIF approved ten new financial operations and two increases to previous operations, for a total of \$33.5 million, in 2015. Six of the approved operations and both increases were equity investments, and the remaining four new operations were loans. Equity operations included three direct investments in fintech and microfinance institutions, two investments in technology-based venture capital funds, one investment in a fund for small and medium-sized enterprises, one investment in a renewable energy fund, and one investment in an impact investment fund. Among the debt allocations, three were loans to microfinance institutions and one was a senior debt tranche in an impact investment vehicle (a complete list of approved projects is provided in Annex D).



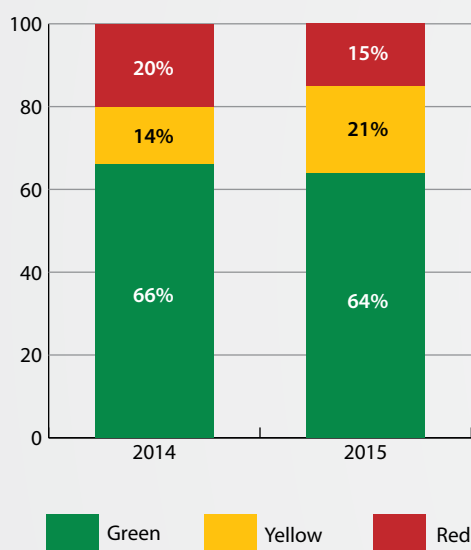
Portfolio Quality

Of the MIF's loan and investment operations, 64 percent were meeting financial targets and classified as green flag; 21 percent were at risk of generating minor losses and classified as yellow flag; and 15 percent were expecting significant losses and are therefore classified as red flag. Red-flag operations represented \$34 million in risk exposure, or 22 percent of the outstanding amount at the end of 2015.

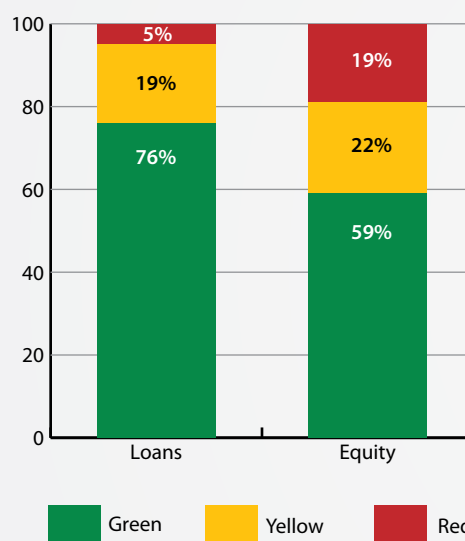
As predicted by their underlying risk, equity operations made up a greater percentage of underperformers, with 22 percent (14 operations) classified as yellow flag and 19 percent (12 operations) as red flag. Loans performed better, with 17 percent (four operations) classified as yellow flag and 5 percent (one operation) as red flag.

Portfolio quality remained roughly the same as in 2014, when 66 percent of operations were classified as green flag. There was an increase in the share of yellow-flag operations, from 14 percent to 21 percent, and a decrease in red-flag operations, from 20 percent to 15 percent. Annex E provides a detailed description of the main reasons causing underperformance and the actions being taken in each red- and yellow-flag project.

PORTFOLIO QUALITY
(SHARE OF OPERATIONS)



PORTFOLIO QUALITY BY INSTRUMENT
(SHARE OF OPERATIONS)



Disbursements and Reflows

The MIF disbursed a total of \$25.3 million in loan and equity investments in 2015, down from \$35.2 million the prior year. Recoveries and income reached \$16.3 million, down from \$31.1 million in 2014. Some of the underlying reasons for the slowdown in reflows involved external factors. The overall economic slowdown in Latin America and the Caribbean, resulting from lower commodity prices and a deterioration of terms of trade, affected the operating environment of many portfolio clients. In addition, the downward pressure on most local currencies created a de facto increase in the cost of capital and affected the repayment capacity of most borrowers. In the case of venture capital funds, given the uncertainty over short-term exit opportunities, many extended their divestment periods and therefore postponed distributions to investors.

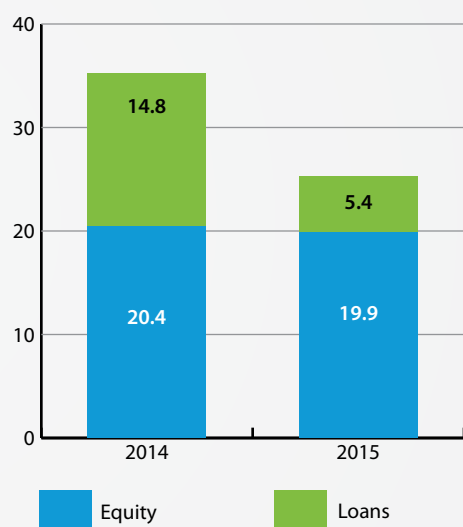
Summary of Balance Sheet and Income Statement⁵

The MIF ended 2015 with \$482.4 million in assets, which included \$368.8 million in the form of cash and investments, \$12.7 million in promissory notes receivables, and \$100.3 in outstanding loans and equity investments net of provisions. Liabilities totaled \$220.8 million, which included \$213.5 million in undisbursed grants and other financings, and \$7.3 million in other liabilities. The fund balance at the end of the year was \$261.6 million.

During the year, the MIF generated a total of \$5.7 million in income, which in addition to income received from loan and equity investments, included a portion attributed to cash investments.

Total expenses were \$73.5 million, which included \$49.5 million in direct expenses involving grants and provisions, and \$23.8 million in administrative and other expenses.

DISBURSEMENTS BY INSTRUMENT (\$ MILLION)



INCOME AND RECOVERIES (\$ MILLION)

	2014	2015
TOTAL INCOME AND RECOVERIES	31.1	16.3
INCOME (dividends, gains, interest income and other fees)	3.7	5.4
RECOVERIES	27.5	10.9
Equity Investment Recovery	20.3	4.2
Loan Principal Recovery	7.2	6.7

⁵ Based on the Report of Independent Auditors KPMG on MIF Special Purpose Annual Information Statements, December 31, 2015.



RESULTS OF PROJECTS COMPLETED IN 2015

© Inter-American Development Bank

Introduction

The MIF's results framework has become an important management tool to measure the effectiveness of ongoing operations. It helps project teams, executing agencies, and outside evaluators work together to determine the effects that interventions are having on beneficiaries. The results framework also helps the MIF management team manage the portfolio in line with strategic priorities.

The MIF has actively participated in updating the IDB Group's Corporate Results Framework and has worked with other departments to align the private-sector development indicators with those of the IDB Group to determine the institution's strategic objectives.

Based on its strategy launched in 2016, the MIF is simplifying its results framework to better reflect its new priorities and keep them aligned with the IDB Group's plans. More specifically, the MIF will work to (1) reduce the number of indicators; (2) organize them and better adapt them to its priority thematic areas (Knowledge Economy, Inclusive Cities, and Climate-Smart Agriculture); and (3) maintain cross-cutting priorities, such as social inclusion, productivity, innovation, gender and diversity, and climate change and environmental sustainability.

This document lays out the results of an analysis of projects completed in 2015. The text is structured in three sections:

- analysis of the portfolio, which describes the characteristics of the 76 projects that closed in 2015
- project results, which includes an aggregated analysis of achievements based on the MIF Theory of Change,⁶ and a special section by type of beneficiary with details about successful projects
- evolution of the three years of information collected

⁶ See Annex G for more detailed information about the MIF Theory of Change.

Analysis of Projects Completed in 2015

In 2015, the MIF completed 76 projects implemented in partnership with the public sector, private companies, and civil society organizations. The projects were designed to test new problem-solving models for economic development in Latin America and the Caribbean. Operations were carried out in 23 countries and required a total outlay of **\$59,185,653**. In Haiti specifically—a country mired in poverty and devastated by a 2010 earthquake—three projects were completed for a total of **\$5,073,918**.

Nearly half the projects (35)—all of them designed to fit the guidelines of the MIF's previous strategic plan—promoted **capacity development to expand access to markets**. This area of focus involves strengthening the ability of micro and small enterprises to become a sustainable part of productive sectors and value chains, and helping vulnerable people develop the skills and abilities they need to enter the formal labor market.



© Fundación para el Desarrollo Sostenible (FUNDES)

COUNTRY 	NUMBER OF PROJECTS 	AMOUNT DISBURSED \$ 	ENTERPRISES THAT BENEFITED 	PEOPLE WHO BENEFITED 	HOUSEHOLDS THAT BENEFITED 
Regional	12	22,258,343	10,7451	116,752	0
Colombia	7	4,199,921	13,199	29,709	0
Mexico	7	13,374,085	142	5,672	17,000
Chile	5	2,362,566	323	338	0
Bolivia	3	2,170,602	1,359	2,876	0
Guatemala	3	1,101,827	560	26,061	5,179
Haiti	3	5,073,918	22	9,613	0
Jamaica	3	763,255	896	420	0
Dominican Republic	3	825,630	2,225	27,755	0
Brazil	2	1,016,335	343	5,511	0
Costa Rica	2	361,553	1,052	1,366	0
El Salvador	2	817,286	1,236	46	0
Honduras	2	390,000	618	3,500	0
Nicaragua	2	973,646	6,996	8,146	0
Peru	2	537,762	1,696	10,746	2,621
Argentina	1	752,334	553	1,056	0
Bahamas	1	118,900	203	1,071	0
Barbados	1	145,817	21	513	0
Ecuador	1	278,329	0	52,350	0
United States*	1	661,613	2,551	374	0
Panama	1	212,257	5	818	0
Paraguay	1	271,226	0	0	0
Trinidad and Tobago	1	318,448	52	52	0
Uruguay	1	200,000	861	1,914	0

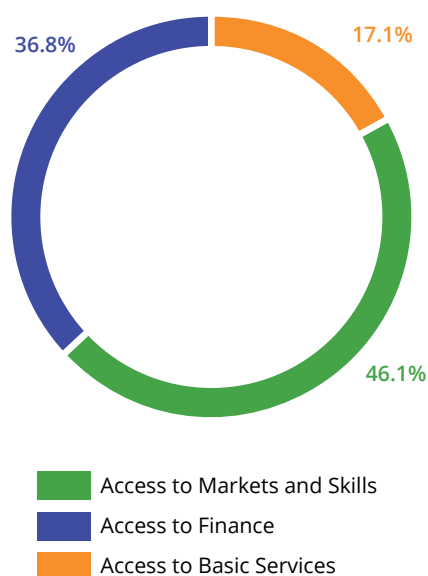
*The project was administered from MIF headquarters in the United States, however, the beneficiaries of the project were in Panama.

A second set of projects (28) promoted **access to finance**. These included equity investments in early-stage enterprises. There were also pilot projects to test new financing models and expand the availability of microcredit or the development of new financial products and services for people who have been neglected by traditional credit markets.

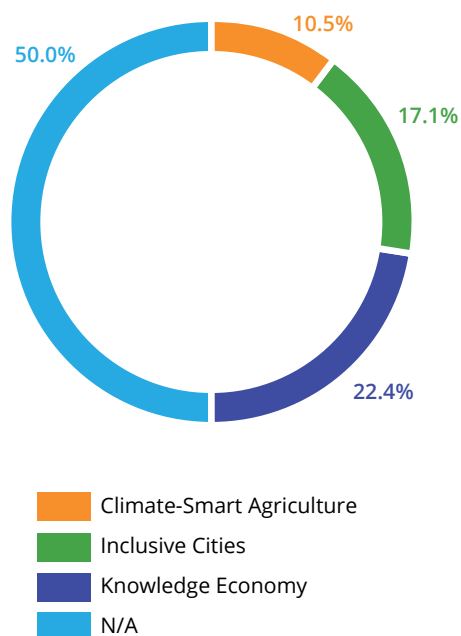
The remaining 13 projects fell under the category of **access to basic services and green growth**, which promotes the expansion of electricity, water, health, and education services to the most disadvantaged populations. These projects implemented actions to preserve our natural resources and improve energy efficiency for homes and businesses, as well as their ability to adapt to the challenges of climate change.

In 2016, the MIF unveiled its new strategy, which has three thematic areas: **Inclusive Cities, Knowledge Economy**, and **Climate-Smart Agriculture**. Although the strategy is new—which implies new objectives and new means to reach them—it was possible to align 38 of the 76 projects completed in 2015 with one of the three new focus areas. For example, 13 could belong to the category **Inclusive Cities**, 17 to **Knowledge Economy**, and 8 to **Climate-Smart Agriculture**.

DISTRIBUTION OF PROJECTS CLOSED IN 2015
BY TYPE OF ACCESS



BY FOCUS AREA



Impact And Results Of Projects Completed In 2015

With the 76 projects completed in 2015, the MIF directly benefited more than 300,000 people; 140,000 businesses; and close to 25,000 households.

The characteristics of the beneficiaries, the interventions used to help them, and the resulting changes have many nuances that will be analyzed in more detail in the sections below. However, it is worth noting up front that the **gender focus** the MIF has included in the design of projects since 2011 is beginning to be reflected in the growing amount of information available. In 2013, only 8 percent of projects had sex-disaggregated data; that grew to 33 percent in 2014 and close to 40 percent in 2015. Women represented 60 percent of beneficiaries of the completed projects⁷ and led nearly 42 percent of the enterprises (most of them micro or small) that received support. However, it is not possible to do a more detailed analysis of the sex-disaggregated data for the various indicators within the MIF results framework because there may be selection biases, given that there are not enough cases to reach a critical mass.⁸

Beyond the impact on direct beneficiaries, one of the MIF's major objectives is to experiment with and identify new development models and intervention strategies with the potential to produce systemic change, even outside the confines of a project. Forty-five percent of the operations completed in 2015 produced **behavioral changes in key organizations and institutions (public or private)** that made it possible to **scale up the MIF's interventions, establish or improve policies and regulations, or develop new markets.**⁹



7. Based on the weighted average of the 30 cases for which information is available.

8. It is necessary to wait for two data collection cycles to come up with a more precise analysis of the trend shown in the data—in other words, when sex-disaggregated data is available for at least 80 percent of the operations completed.

9. The next section includes a more detailed analysis of these achievements.

Systemic Impact

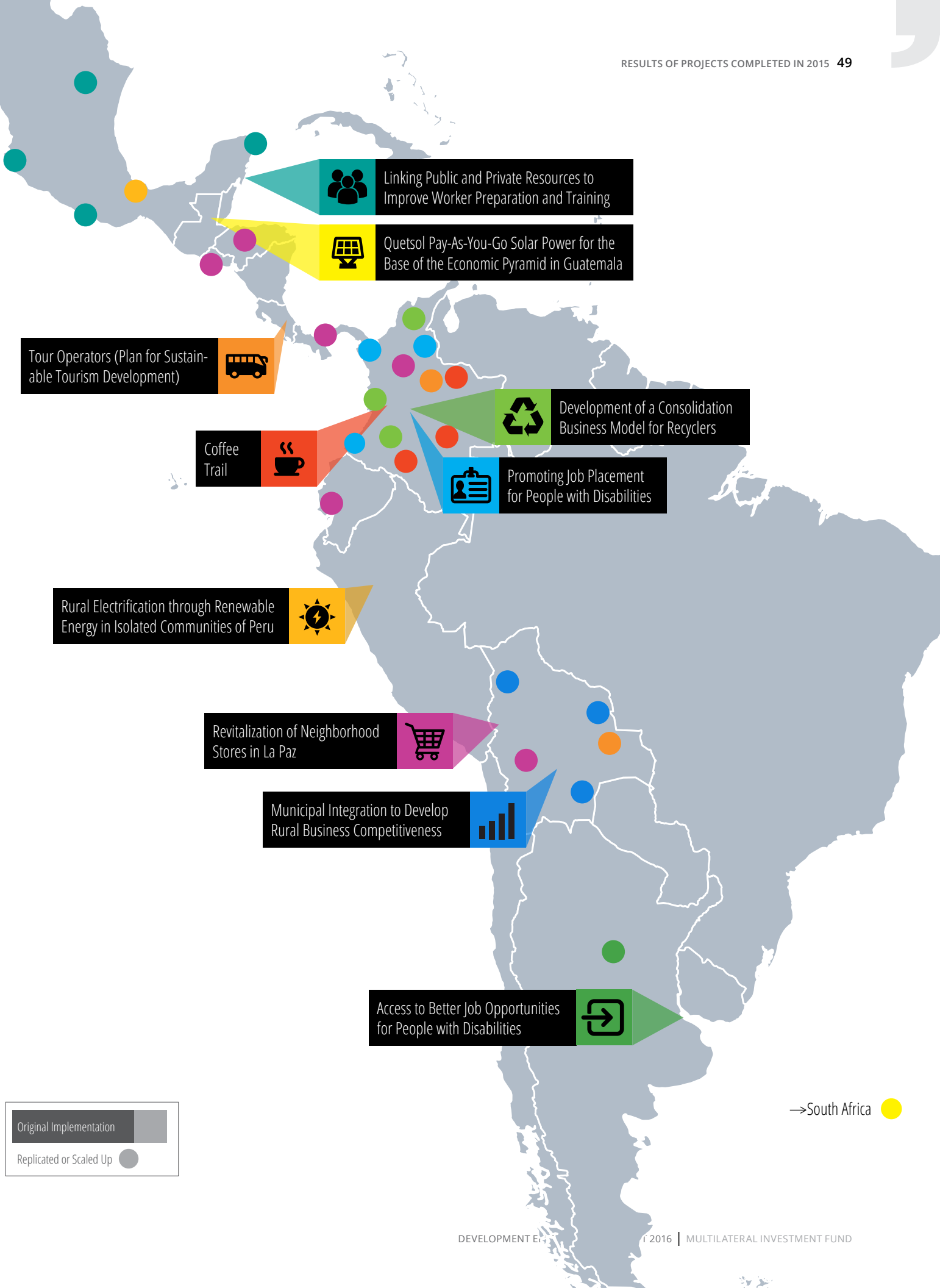
Part of the MIF's mission is to act as an innovation laboratory for the IDB Group, identifying and testing **new business or social-investment models** that could help provide solutions to socioeconomic development problems in Latin America and the Caribbean. The idea

is that these models could eventually be replicated or scaled up by the IDB Group or other organizations.

The projects closed in 2015 include 10 cases that involve scale or replication.¹⁰

Project	Objective	Who scaled up or replicated	Where implemented originally	Where replicated or scaled up
Linking Public and Private Resources to Improve Worker Preparation and Training	Develop an innovative model for public-private collaboration to provide permanent human-resources training that can meet the growing demand for investments in the Mayan Riviera	<i>Asociación de Hoteles de Gran Costa Maya; Asociación Mexicana de Hoteles y Moteles</i>	Mayan Riviera, state of Quintana Roo, Mexico	Mexico (throughout the country)
Tour Operators (Plan for Sustainable Tourism Development)	Create a model for sustainable tourism that is competitive and self-sustaining	G Adventures/ Planeterra (the executing agency)	Sarapiquí, Costa Rica	Colombia and Bolivia
Promoting Job Placement for People with Disabilities	Create a labor inclusion model that coordinates and strengthens rehabilitation and training services for people with disabilities (in partnership with the business sector)	Castellar (Spanish organization); Mayor's Office.	Colombia: Bogota, Medellin, Cali, and Pereira	Colombia: Rionegro, Antioquia; and Barrancabermeja, Santander
Development of a Consolidation Business Model for Recyclers	Consolidate a network of stores so that recycling organizations that belong to the Bogota Recyclers Association can compete in the market by offering high-quality goods and services that add value	269 municipalities in Colombia	Bogota, Colombia	Colombia (throughout the country)
Municipal Integration to Develop Rural Business Competitiveness	Improve competitiveness among micro and small enterprises and associations of producers and service providers in several towns in which the local governments are working with the private sector to promote the value of Andean culture	PROCOSI (<i>Programa de Coordinación en Salud Integral</i>)	Bolivia: Achocalla, Viacha, Tiwanacu, Taraco, and Guaqui	Bolivia (throughout the country)
Rural Electrification through Renewable Energy in Isolated Communities of Peru	Provide access to basic electricity service to people in remote communities in the Cajamarca region, by building a sustainable management model for installing, operating, and managing residential solar units	<i>ACCIONA Microenergía</i> (the executing agency)	Cajamarca, Peru	Mexico: Oaxaca
Access to Better Job Opportunities for People with Disabilities	Help businesses, government institutions, and nongovernmental organizations adopt and continue to use a social inclusion approach for people with disabilities	<i>Fundación UOCRA; Fundación Aprender a Ser Hacer; Red Incluir Provincia de Córdoba</i>	Buenos Aires, Argentina	Argentina: Cordoba
Quetsol Pay-As-You-Go Solar Power for the Base of the Economic Pyramid in Guatemala	Create a business model that provides a solar power solution that is accessible to the base of the economic pyramid	Kingo Energy (the executing agency)	Guatemala: Alta Verapaz, Quiché, and Peten	South Africa
Coffee Trail	Strengthen and develop a rural tourism cluster with the participation of public-private institutions, implementing a model for tourism that is competitive, sustainable, and integrated with local social development	Chamber of Commerce of Armenia and Quindío (executing agency); Ministry of Commerce, Industry, and Tourism (MinCIT); Colombian Coffee Growers Federation (FNC); Pereira Chamber of Commerce; Sevilla Chamber of Commerce; Manizales Chamber of Commerce	Quindío, Colombia	Colombia (throughout the country): Risaralda, Caldas, Valle del Cauca, Narino, Cundinamarca, Bolívar, San Andrés, Norte de Santander, Antioquia, Choco
Revitalization of Neighborhood Stores in La Paz	Implement a competitive business model for neighborhood retailers	Fundes (executing agency), in association with SABMiller	La Paz, Bolivia	Santa Cruz de la Sierra (Bolivia), Colombia, Ecuador, El Salvador, Honduras, Panama, and Peru

10. Three of these projects were carried out with support from other units of the IDB Group.



Here are a few highlights:

- As the infographic shows, the case of Kingo Energy—an executing agency that in 2014 received MIF support to implement pay-as-you-go solar energy services in three municipalities in Guatemala—was replicated outside the Latin American and Caribbean region. After the project was formally closed, Kingo expanded its model to all of Guatemala and launched a pilot project as a franchise model in South Africa; there, it provides the brand, know-how, and technology to its franchise partner, which already has more than 2,000 customers. Kingo provides lighting to more than 22,000 homes and installs around 1,500 sets of equipment per month in its Latin American operation. Its performance caught the eye of angel investors; the company landed \$12 million in capital from the Guatemalan private sector, the French development agency PROPARCO,¹¹ and the Dutch development bank FMO¹² to expand its model to rural areas of Guatemala and later to Honduras and El Salvador.
- Another way to have a social impact on a large scale is through the development or improvement of legal frameworks. Along these lines, **50 policies, regulations, or legal frameworks¹³ were established or promoted** in 19 MIF projects completed in 2015. In one such example, the advisory support provided by the *Fundación Corona*¹⁴ to Colombia's National Learning Service (SENA), Public Employment Service Unit, and Presidential Plan for Inclusion played a role in the Colombian legislature's enactment of a series of laws governing employment of people with disabilities.¹⁵
- The MIF also tries to achieve systemic impact by encouraging the **incorporation of new practices or technologies by agencies and institutions that have a real influence in their sphere of operation**. The reach of 21 projects completed in 2015 extended to 386 critical players. An especially noteworthy example is the Coffee Trail (*Ruta del Café*) in Colombia. In that case, the MIF aimed to strengthen and develop a rural tourism cluster—one that is competitive, sustainable, and integrated with social development—with the participation of public and private institutions. The initiative included key players such as government agencies (Ministry of Commerce, Industry, and Tourism; PROCOLOMBIA; FONTUR), provincial governments (Caldas and Quindío), and various civil society organizations (the chambers of commerce of Manizales, Pereira, Sevilla, Cartago, Oriente Antioqueño, Pasto, San Andrés, Providencia, Santa Catalina, Buga, and Palmira).
- Sometimes, the answer to development problems lies in **creating new markets**. For the MIF, this usually means developing or promoting new products or services that satisfy existing demands. In 2015, at least seven projects used this strategy effectively. One striking case involved the development in Guatemala of a factoring service,¹⁶ in conjunction with *Financiera Summa*. This new type of financing was particularly significant for micro and small rural enterprises, which often face short-term cash-flow problems (as opposed to solvency problems) and have little access to traditional credit.

11. <http://www.proparco.fr/>

12. <https://www.fmo.nl/>

13. This indicator aims to identify situations in which the MIF or its partners have had a direct influence on the development or modification of policies, regulations, or regulatory frameworks related to the themes and objectives defined as part of the project. An assumption that the MIF has had a direct influence can be made as long as it is validated by relevant players in the public sector or other key actors.

14. This foundation is in charge of executing the program "Promoting Job Placement for People with Disabilities," in Colombia.

15. Specifically, the Colombian Congress enacted Law 1618, formalizing the full exercise of rights for people with disabilities; meanwhile, the "Anti-Red-Tape Law" significantly reduced the number of bureaucratic procedures required to certify the work of people with disabilities.

16. Factoring is a financing alternative geared toward small and medium-sized enterprises. It consists of a contract by which a company sells its accounts receivable—its outstanding invoices—and in return, receives cash up front (at a discounted rate).

HIGHLIGHTED PROJECT: SYSTEMIC IMPACT

Consolidation Business Model for Recyclers



© Avina Foundation

Historically, “recyclers” (or “waste pickers”) lived on the margins of society in Bogota, and the work they did was not recognized by the law. In partnership with the Bogota Recyclers Association (Asociación de Recicladores de Bogota, or ARB), the MIF implemented a project to develop a new legal framework that would allow the workers to develop a viable business model.

This legal framework, which consists of Order 596 and Resolution 276 of the Ministry of Housing of Colombia, defines the operational structure for waste utilization; Resolution 720, meanwhile, creates a fee structure for sanitation services.

The changes introduced by the three regulations allow registered recyclers to either sell the products they collect on the open market or turn them in at authorized weighing facilities in exchange for a regulated fee. Some 21,000 recyclers have benefited from these new rules, and 307 children in their families have enrolled in health and nutrition programs.

The project was scaled up nationally in Colombia¹⁷ and has inspired recycling movements in Ecuador, Argentina, and South Africa.¹⁸ It has become so well known that Nohra Padilla, the ARB’s founder and legal representative, received the Goldman Environmental Prize, one of the most prestigious awards for environmental activism.¹⁹ For more details, see page 72.

17. By the close of the project, 269 municipalities in Colombia had already incorporated the model, and the country’s remaining municipalities were in the process of implementing it.

18. <http://asociacionrecicladoresbogota.org/?p=1861>

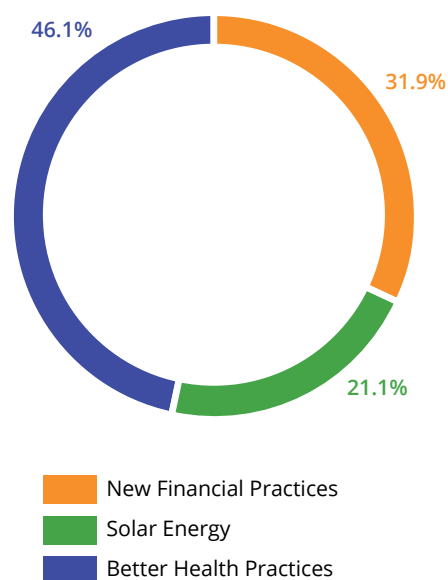
19. <http://www.goldmanprize.org/recipient/nohra-padilla/>

People and Households

Creating opportunities for people and households is one of the priorities that guide the design of MIF projects. For example, the MIF promotes access to basic services and development of skills so that each person can reach their highest potential in the labor market; it also encourages savings and the proper use of financial tools available on the market.

Along these lines, the MIF was able to help more than 190,000 people adopt new practices or technologies, through 11 projects completed in 2015. Four of these projects promoted innovative financial tools,²⁰ while three encouraged the adoption of solar energy technologies and another three, productive, regulatory, and work practices.²¹ One focused on improving access to health services.²²

NEW PRACTICES ADOPTED, BY PERCENTAGE OF BENEFICIARIES



Here are some ways MIF projects help people and households:

- Skills development.** A central goal of the MIF is to strengthen people's technical, cognitive, or "soft" skills. Projects completed in 2015 benefited 214,127 participants through activities and products involving knowledge transfer.²³ Another 80,356 people received formal training. Among many significant projects, one was designed to strengthen a local development fund and help it become a regulated, supervised financial entity.²⁴ The project provided formal training to 7,362 clients (49 percent of them women) in sustainable cattle and agroforestry management and adaptation to climate change.
- Employability.** More than 1,200 people who participated in projects that closed in 2015 received job-placement training. Of the participants, 37.2 percent held stable staff positions²⁵ at the close of these projects. This is particularly remarkable considering that 93 percent of all those trained had some type of disability.²⁶ Thirty-nine percent in this group were considered employable, a high percentage considering the starting point in Colombia, where only 13 percent of people with disabilities have basic job skills—and of those, 84 percent earn less than the minimum wage.²⁷

20. Banking Services for Recipients of Remittances (Dominican Republic); Mobilization of Rural Savings through Cell Phones (Ecuador); TV-Based Banking Services (Chile); and Promoting a Savings Culture through Conditional Cash Transfer Programs (Dominican Republic)

21. Promoting Alternative Crops in Rural Communities of Totonicapán (Guatemala); Sustainable System for Youth Training and Job Placement (Nicaragua); and Harmonization of International Accounting and Auditing Standards (Brazil)

22. Microfinance Integrated Business Model for Health Services (regional project). See Global Partnerships project on page 53.

23. The products or activities involving knowledge transfer include: workshops to raise awareness about corporate social responsibility and provide training in financial matters; Climatescope reports; Seminar on Universal Access to Energy and Climate Change (103 people attended); Rural Electrification Forum (60 attended); Forum on Access to Clean Energy in Latin America and the Caribbean for Social, Economic, and Environmental Benefit (50 attended).

24. Financiera FDL: <http://www.fdl.com.ni/?lang=en>

25. To calculate the job placement rate, it was specified, among other things, that the job must be a formal staff position and must be held for at least two consecutive months during the six months following the close of the project.

26. Those participating were connected with the program implemented by *Fundación Corona* in Colombia.

27. National Administrative Department of Statistics (DANE), 2002

- Financial inclusion.** Besides needing job-skills training, people often need some financial training to better manage their incomes. Because of the steps taken through seven projects to encourage savings, 44,404 people opened savings accounts, in which they deposited \$2,434,259. One of the programs with the biggest impact is run by a women's development group, *Asociación Dominicana para el Desarrollo de la Mujer* (ADOPEM). It enabled 21,514 citizens of the Dominican Republic to access a bank account and deposit a combined total of more than \$460,000. The project focused on encouraging savings among people who receive conditional cash transfers from the Dominican government. One important fact to note is that 75 percent of those who opened savings accounts were women, another sign of ADOPEM's laser focus on gender.
- Another success in savings promotion was the Conecta project in Ecuador, in which 52,350 residents of rural areas began to funnel their savings through an innovative system called *Ventanilla Móvil*. This electronic app allows users to make deposits and manage their funds using a cell phone. It made a real difference in terms of financial inclusion, as these rural residents no longer had to travel to a city to go to a bank. Of particular note: 5,179 country dwellers who previously had no savings account were now able to use the *Ventanilla Móvil* app to manage their money. Just as significant, the financial intermediaries that use the service have seen a 19.3 percent annual growth in deposits.
- Promoting access to personal credit is another major objective related to strengthening financial inclusion. In 2015, 46,240 people were able to access credit products totaling \$26,316,167. In one example of this achievement, 2,822 low-income Colombians signed up to receive convenient loans through the program "New Paths for Rural Microfinance." (This program also has the distinction of accounting for 60 percent of the 26,482 microinsurance products given by all MIF projects in 2015.)
- Access to basic services.** In total, 88,000 people who participated in projects completed in 2015 gained access to basic health services. Ninety-nine percent of them were beneficiaries of a project carried out by Global Partnerships in Nicaragua, Honduras, and Ecuador, in partnership with four financial intermediaries that developed health-related financial products for low-income women. In Ecuador, the *Fundación Espoir* provided access to 33,783 clients with its health microinsurance product *Socio Seguro*; *Pro Mujer* Nicaragua, for its part, benefited 44,722 women through its Basic Screening and Training Package, which includes gynecological exams that these clients would otherwise have been unable to afford. In Guatemala, Friendship Bridge reached 646 indigenous women with the program *Salud para la Vida*, in association with the Wuqu' Kawoq Maya Health Alliance, which also provided training on health issues to 2,848 women. Finally, in Honduras, the *Fundación para el Desarrollo Integral de la Familia* implemented a model of local pharmacies that benefited 8,539 families in the first half of 2015 alone—meaning that the total number of beneficiaries could be higher once information for the whole year is included.
- At least 24,800 households received access either to pay-as-you-go solar energy services (32 percent of these households in Peru and Guatemala) or to improved equipment to guarantee more reliable and efficient access to the urban water and electricity distribution network in Mexico City (68 percent).

HIGHLIGHTED PROJECT: PEOPLE AND HOUSEHOLDS

Rural Electrification through Renewable Energy in Isolated Communities of Peru



© ACCIONA Micro Energía

The main purpose of a rural electrification program in Cajamarca, Peru, is to provide clean-energy solutions to people living in isolated areas. The population in this mountainous region is spread out, with poor communication and transportation systems. Families are not connected to electrical lines and rely on generators that use fossil fuels.

The Fundación ACCIONA Micro Energía developed a system to install residential solar units for these rural homes—a panel and components to transform solar power into energy—with a fixed monthly rate that varies depending on people's ability to pay.

At the close of the project, ACCIONA Micro Energía had installed 2,621 photovoltaic systems, and the annual energy cost for these households had dropped by 39 percent. The association trained 45 technicians to install the equipment.

Meanwhile, with the goal of developing a sustainable management model, members of these communities created 101 electrification committees whose responsibilities included receiving payments. This type of administrative arrangement reduced the default rate to 1 percent of customers.

The project also promises strong results in terms of environmental impact. In the four years of implementation, the systems put in by ACCIONA Micro Energía reportedly have avoided 2,083.2 tons of carbon dioxide emissions.

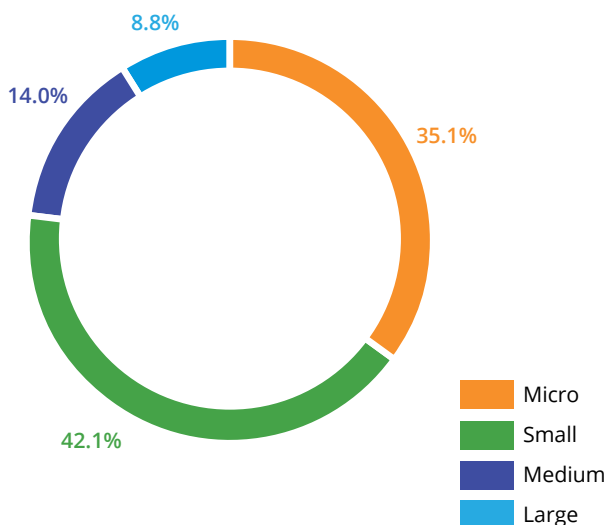
The experience was adapted and reproduced by the organization ACCIONA Microenergía México in Oaxaca, in southern Mexico. At the end of 2015, 7,500 residential solar units had already been installed there.

Enterprises

Improvements in competitiveness, access, and skills of entrepreneurs and small-scale producers are always primary objectives of MIF-supported projects. To meet these objectives, the MIF and its partners provide training, transfer knowledge, and take action to expand access to financing, adopt sustainable practices, and reduce energy costs, as well as to help participating businesses increase employment and sales.

Of the total projects completed in 2015, 57 included support for businesses among their goals. The results show that 20 of these improved conditions for microenterprises, 32 provided support to small and medium-sized businesses, and 5 provided support to large companies.

PROJECTS SUPPORTING ENTERPRISES, BY SIZE OF BENEFICIARY



Here are some details about these projects:

- Variation in sales.** The enterprises served showed an average annual increase in sales of 24.3 percent. In the five projects for which sales information was available, 911 participants had an **average annual sales growth of more than 10 percent**. Of these participants, 633 were microenterprises, 276 small businesses, and only 2 were large companies.
- One project that illustrates these results is** “Municipal Integration to Develop Rural Business Competitiveness,” which was developed to improve small-business competitiveness in Bolivia through joint efforts among municipal governments and the private sector. The project, which aimed to promote the value of Andean culture, targeted small agricultural enterprises (57 percent run by women) with little administrative or bookkeeping know-how. The intervention therefore had a technical-assistance component that included a small tote bag with a calculator, office supplies, bookkeeping ledgers, and manuals on business management, cost control, and dairy production that were specially designed for the target population, mainly Aymara indigenous people. Of the 375 enterprises that received technical assistance, 81 percent incorporated administrative and bookkeeping practices; of these, 255 increased their income from sales by 10 percent or more.
- Employment creation.** Employment creation policies are a priority in Latin America and the Caribbean. The MIF helps to expand and improve access to the labor market through its actions—an assertion borne out by the projects supported. Among the projects completed in 2015, the enterprises that received MIF backing created **2,484 full-time formal jobs, averaging more than three positions per company**. One stand-out project was developed in Bolivia with Swisscontact to set up and formalize a comprehensive system for solid waste management in rural towns. As part of that project, implemented through public-private partnerships, 13 municipal microenterprises were created in the departments of La Paz and Santa Cruz. At the end of the project, these businesses together employed 144 people, and each microenterprise had created 1.7 new jobs.
- Access to credit.** One of the main restrictions to growth for companies in Latin America and the Caribbean is access to financing. To address this problem, the projects completed in 2015 designed programs that enabled **124,132 businesses** (79.9 percent microenterprises or personal ventures; the rest, small businesses) to obtain **loans totaling \$294,828,483**. The loan amounts—which varied

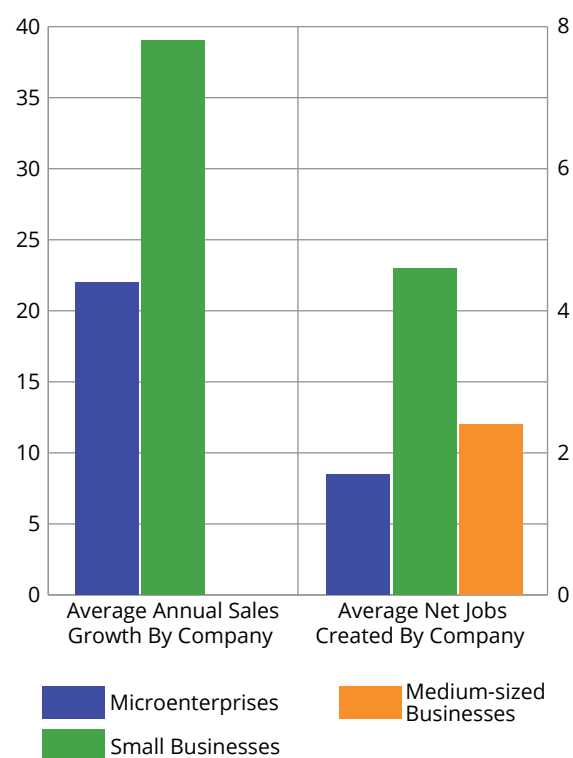
according to the size and financial needs of the participating businesses—ranged from \$748.30 to \$538,046.²⁸

- **Technical assistance.** Forty-nine percent of the projects geared toward businesses included a technical-assistance component. These 28 cases provided training to **16,516 businesses** to improve their activities and processes. Of those that received training, 73.1 percent were microenterprises, 26.4 percent small or medium-sized businesses, and only 0.5 percent large companies. The 840 shops that received business training in Bolivia—part of a project to revitalize retail in La Paz—bear witness to the efforts being made to improve the skills of Latin American entrepreneurs and merchants. Another memorable project, “New Paths for Rural Microfinance,”²⁹ provided business training skills

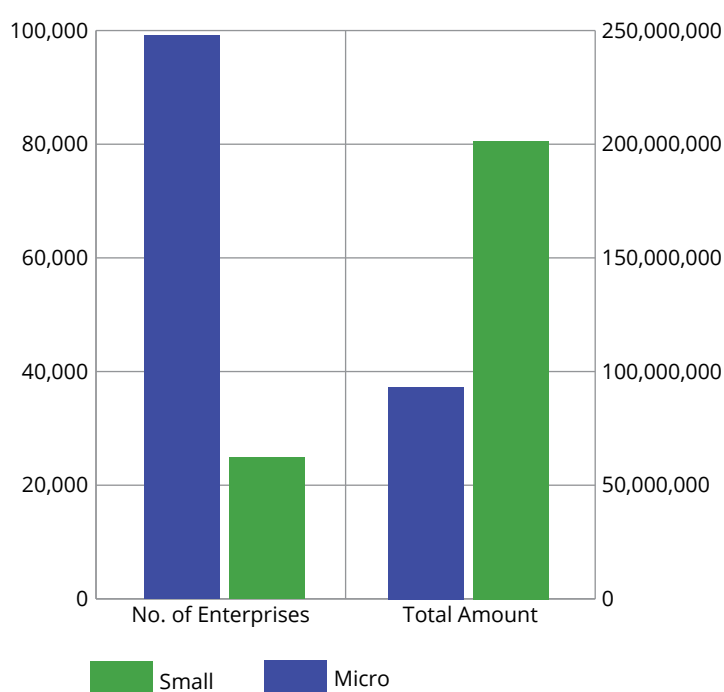
to 9,617 entrepreneurs and rural producers in the department of Antioquia, Colombia.

- **Innovation.** Half of the 57 projects geared toward companies showed some type of innovation, whether in financial products and services or in models for merchandising or production technologies.³⁰ Not all the innovations were equally original or successful. For example, a project implemented in Chile, “TV-Based Banking Services” was one of the most ambitious ones, but the pilot project was not widely accepted by users so it was shut down. However, for each failure, there have been many successes. The project “Rolling Out a Psychometric Tool for Expanding Small Business Finance,” developed by the MIF in partnership with the Entrepreneurial Finance Lab, shows that innovating is worth the risk. The project developed a psychometric evaluation tool consisting of a series of tests

**SALES GROWTH AND JOB CREATION,
BY SIZE OF ENTERPRISE**



**FINANCING,
BY SIZE OF ENTERPRISE**



28. The information comes from 13 projects that reported this indicator.

29. For more information, see: <http://www.fomin.org/en-us/Home/Projects/ProjectDatabase/ProjectProfile/tabid/85/prj/CO-S1005/language/en-US/Default.aspx>

30. Some of these innovations have already been mentioned in this document. These include providing pay-as-you-go solar energy services, helping neighborhood stores organize into collectives so that they can buy merchandise at better prices, and developing health microinsurance products in La Paz, Bolivia.

and relatively simple questions to establish a psychological profile for each potential client. The results made it possible to create a scoring system to use in evaluating whether to approve a loan. The tool improved the ability of credit assessment models to predict loan performance for a business, and is a major advancement for microenterprises that wish to access financing but lack a credit history or a formal record of revenues.

The financial intermediaries that implemented the evaluation tool **granted loans totaling \$48.5 million to 14,332 micro and small enterprises.** Due to the success of the model, it was replicated by the *Société Générale de Solidarité* (Sogesol), a French educational foundation that went on to create the project “Expanding the Psychometric Scoring Tool” to benefit 2,000 micro and small enterprises in Haiti.

HIGHLIGHTED PROJECT: ENTERPRISES

Revitalization of Neighborhood Stores in La Paz, Bolivia

A project to revitalize neighborhood stores, executed in partnership with FUNDES,³¹ implemented a competitive business model for small retailers in La Paz, Bolivia. Neighborhood stores play an important role in market dynamics and job creation in Bolivia, but most of them are short-lived initiatives with a high failure rate. The reasons? They lack business models, inventory control, and records of their activities, and the stores aren’t able to create economies of scale that would allow them to make joint purchases.

To develop the needed business capacity, the project included a technical-assistance component that served 1,217 people involved in 840 neighborhood stores. The idea was to replace the competitive model with an organizational model that would allow the stores to act as a collective, giving them more negotiating leverage with providers so that they could obtain merchandise at better prices.

A total of 23 zone associations were established, with formal legal status, as well as an umbrella organization, the Asociación de Tiendas Mi Caserita. The network became synonymous with high-quality neighborhood stores and adopted certified standards of operation. The stores also incorporated some exclusive products made by other social micro-franchises. Of the 840 neighborhood stores that



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received technical assistance in La Paz, 85 percent incorporated business management practices; in 60 percent of cases, their annual sales increased by more than 10 percent.³²

Mi Caserita evolved to offer three micro-franchising models.³³ In January 2016, it opened its second wholesale operation to provide neighborhood stores with merchandise at competitive prices.³⁴ This project will be established at the regional level in six countries in Latin America (Colombia, Ecuador, El Salvador, Honduras, Panama, and Peru), with the aim of developing business and leadership skills among 40,000 shopkeepers and small neighborhood stores.³⁵ The MIF has approved a \$2.5 million technical cooperation donation to implement the regional initiative, which will be executed by FUNDES³⁶ in association with the global brewing company SABMiller.³⁷

31. <http://www.fundes.org/>

32. The average growth in sales was even higher: 22 percent.

33. <http://microfranquicia.org.mx/caso-de-referencia-mi-caserita-la-microfranquicia-que-innovo-las-tiendas-de-barrio-en-bolivia/>

34. http://www.la-razon.com/index.php?url=/suplementos/financiero/Caserita-abre-segundo-almacen-sobreprecios_0_2420158017.html

35. <http://www.fomin.org/en-us/Home/News/PressReleases/ArtMID/3819/ArticleID/2881.aspx>

36. <http://www.fundes.org/>

37. <http://www.ab-inbev.com/>

Environment

MIF conservation projects that ended in 2015 reduced or avoided greenhouse-gas emissions equivalent to 14.3 million tons of carbon dioxide. This figure is comparable to the annual emissions of 3.04 million passenger vehicles, or to the annual energy use of 1.5 million households, or to 4.5 million tons of waste sent to landfills.

During a five-year period, a project carried out in Mexico with the executing agency Camino Sabio Azul avoided 212,000 tons of carbon dioxide emissions, thanks to plumbing improvements in some 17,000 homes. These upgrades eliminated water losses and reduced the cost of energy (electricity or gas) used to heat water by 60 percent. (In addition, the work was done by 52 women, who were trained in plumbing skills.)

Also noteworthy are five-year agreements to implement sustainable management plans for 1,563,962 hectares of land in several Mesoamerican countries, as part of a regional forest conservation project.



© ACCIONA Micro Energía

MIF conservation projects reduced or avoided greenhouse-gas emissions by 14.3 million tons of CO₂ equivalent, a figure comparable to ...



OR



OR



3.04
MILLION
passenger
vehicles' annual
emissions

1.5
MILLION
households'
annual energy use

4.5
MILLION
tons of waste
sent to landfills

HIGHLIGHTED PROJECT: ENVIRONMENT

Conservation through Certification and Strengthening of Forestry Enterprises



© Archivo Rainforest Alliance

This forest conservation project—implemented by the Rainforest Alliance in Guatemala, Honduras, Mexico, Nicaragua, and Peru—encouraged small and medium-sized community forest enterprises to adopt sustainable forest-management practices, develop business skills, and gain greater access to finance in a context of forest-friendly policies.

The project's results in forest conservation were very attractive. More than 1.5 million hectares were put under sustainable management³⁸—mostly in Mexico and Guatemala—and the volume of carbon dioxide captured was high, equivalent to more than 14 million tons.³⁹

More than 17,400 people received training, the vast majority of them low-income forestry workers who belong to indigenous groups (primarily Zapoteca, Yne, and Maya). The training and technical advice enabled 90 community forestry organizations to adopt new sustainable-production practices; they began making 13 new products out of wood, leaving little to waste. In addition to the obvious environmental benefits, the measure helped improve the productivity of these community organizations and increased their annual sales by an average of 25 percent. Thirty-five community organizations also received a total of \$9,120,800 in investment and financing, which enabled them to expand their production and gain access to new export markets.

Thanks to the project's positive influence, six government institutions adopted new environmental practices. Here are the institutions, along with a brief description of what each agreed to do:

1. Public Education Institute of Oaxaca (IEEPO – Mexico): purchase of classroom furniture made from certified wood
2. Secretariat of Public Education of the State of Guerrero (SEPEG – Mexico): purchase of classroom furniture made from certified wood
3. Petróleos Mexicanos (PEMEX) – Administrative and Finance Subdivision (Mexico): training in certification of wood and providers of certified wood products
4. Ministry of the Economy (Guatemala): support for sustainable management practices in the forestry sector
5. National Institute for Forest Conservation and Development, Protected Areas, and Wildlife (ICF – Honduras): promotion of sustainable forest development in Honduras
6. Autonomous Government of the North Atlantic Region (GRAAN – Nicaragua): incentive for sustainable forest management in this autonomous region of Nicaragua

38. <http://www.rainforest-alliance.org/issues/forests>

39. For measurement purposes, the calculation used a widely accepted estimate of 2.6 tons of carbon dioxide captured per year per hectare of growing trees.

Next Steps

When an analysis is conducted of projects that close in 2016, the results framework will be adjusted to the thematic areas that are part of the MIF's new strategy, in keeping with the IDB Group's Corporate Results Framework. With this new approach, simplifying indicators will make it possible for the IDB Group or other key actors to focus evaluations on

the potential to scale up and replicate innovations that are put to the test. It is important to note that, despite the simplified structure, the results framework will continue to measure each project in terms of productivity and business growth, employability, access to services, and environmental changes.

Results After Three Years Of Data

The table below summarizes the results achieved by MIF projects completed from 2013 through 2015.

The MIF Results Framework	2013 62 PROJECTS COMPLETED	2014 101 PROJECTS COMPLETED	2015 76 PROJECTS COMPLETED	Total 2013-2015
SYSTEMIC IMPACTS				
Number of MIF-introduced models scaled up or replicated	21	16	10	47
Number of new or improved policies, regulations, or legal frameworks established	383	95	50	528
Key actors adopting new practices or technologies	20	244	386	650
Markets or sectors that emerged with MIF support	0	4	7	11
FINAL RESULTS				
PEOPLE				
Percentage of people holding formal jobs	85	53	37.2	*
Number of people holding formal jobs	2,192	6,763	414	9,369
Average annual savings growth among individual clients	50	0	21.21	*
Number of individual clients with annual savings growth of 10% or more	44,933	0	1,752	46,685
HOUSEHOLDS				
Average percentage reduction in annual household energy costs	0	0	50.65	*
Number of households that reduced their annual energy costs	6,136	0	24,800	30,936
ENTERPRISES				
Average enterprise's annual income growth from sales	16	12	24.29	*
Number of enterprises with an average sales growth rate of 10% or more	809	13,096	911	14,816
Percentage of enterprises in operation one year after participation in the program	0	0	15	*
Number of enterprises in operation one year after participation in the program	0	0	2	2
Average net jobs created per enterprise	7	4.50	3.42	*
Number of net jobs created per enterprise	11,678	157,677	2,484	17,1839
Average percentage reduction in annual energy costs	7	23	30	*
Number of enterprises with reduced annual energy costs	5	106	230	341
Average value of annual sales to new export markets	0	119,825	0	*
Number of enterprises selling products to new export markets	0	271	4	275

*There is no disaggregated information available for 2013, therefore it is not possible to calculate the aggregate weighted average for the Total 2013-2015 column.

The MIF Results Framework <i>continued</i>	2013 62 PROJECTS COMPLETED	2014 101 PROJECTS COMPLETED	2015 76 PROJECTS COMPLETED	Total 2013-2015
ENVIRONMENT				
Tons of CO ₂ e greenhouse-gas emissions avoided	19,076		14,391,296	14,410,371.54
INTERMEDIATE RESULTS				
PEOPLE				
Number of people who have adopted new technologies or practices	18,006	6,691	190,127	214,824
Number of people with savings accounts	104,848	56,857	44,404	206,109
Number of people who access basic health or educational services	0	0	87,997.00	87,997
Number of people who access credit products	352,819	758,688	46,240	1,157,747
Number of people who access microinsurance products	274,321	305,042	26,482	605,845
Total \$ value of credit placed by financial intermediaries to individual clients	361,637,271	791,502,787	26,316,167	1,179,456,225
Total \$ value of savings deposited in financial intermediaries by individual clients	41,134,703	269,483	2,434,259	43,838,445
HOUSEHOLDS				
Number of households with access to clean-energy solutions	7,191	0	7,800	14,991
Number of households with access to basic services (excludes health and education)	41,597	2,386	24,800	68,783
ENTERPRISES				
Number of enterprises that have adopted new technologies or practices	3,632	41,209	4,680	49,521
Number of enterprises with links to strategic business partners	20,155	4,071	1,260	25,486
Number of enterprises created	413	8,060.00	72	8,545
Number of enterprises that received early-stage financing	106	54	11	171
Number of enterprises accessing credit products	84,832	24,914	124,132	233,878
Number of enterprises adopting sustainable production practices	3,038.00	2,823.00	792	6,653
Total \$ value of credit placed by financial intermediaries to enterprises	92,507,270	322,227,944	294,828,484	709,563,698
ENVIRONMENT				
Hectares of land sustainably managed	717,000	396,877	1,563,962	2,677,839
PRODUCTS				
PEOPLE				
Number of people trained	386,019	508,224	80,356	974,599
Number of people who access knowledge products or knowledge transfer activities	35,625	177,736	214,127	427,488
Number of innovations adopted (new products or technologies) that benefit people	0	44	26	70
ENTERPRISES AND ORGANIZATIONS				
Number of enterprises that have received technical advisory services	25,204	127,392	16,516	169,112
Number of institutions that access knowledge products or knowledge transfer activities	0	3,397	4,716	8,113
Number of innovations developed (new practices or technologies) that benefit enterprises	0	881	58	939

LINKING THE PAST TO THE FUTURE: TEN STORIES FROM THE FIELD

© Commonwealth of Copán Chortí



The MIF's portfolio of projects at the end of 2015 contained a number of gems that can be considered strategic under a new three-year MIF strategy that was unveiled in 2016. These outstanding projects reflect the MIF's role as an innovation lab for the IDB Group: they are truly innovative, scalable, and aligned with IDB Group strategies, at both the corporate and the country levels. Each project also contributes to one of the MIF's three new focus areas: Knowledge Economy, Inclusive Cities, and Climate-Smart Agriculture. They are projects with solid and credible partners. And, most importantly, they demonstrate real transformational impact on poor and vulnerable populations in Latin America and the Caribbean.

This chapter tells the stories of 10 such strategic projects that give a flavor of the MIF's potential going forward.



Partnerships to Recover Natural Capital

Eighteen municipalities in Guatemala's central and eastern regions have endured repeated intense droughts, which, combined with poor agricultural practices, have led to the degradation of forests and vegetation, loss of soil nutrients, and worsening of water quality. This agro-climatic zone is known as the "Dry Corridor."

In the heart of the Dry Corridor is the Commonwealth of Copan Chorti, home of the indigenous Chorti, most of whom live in extreme poverty. Shrinking biodiversity, ceaseless cutting down of trees for firewood, and poor productive practices have led—in addition to adverse environmental effects—to low crop yields and to animals dying, particularly native species that were an important food source for the local population, such as the creole hen. That is, climate change has intensified the vicious cycle of poverty, as it has become more difficult for the Chorti population to produce income and to secure food.

There was no clear solution to this problem, nor a single entity with the leverage necessary to address the Chorti population's environmental and food problems. As a result, the MIF, with support from other divisions of the IDB and other donors, engaged in a series of partnerships with public and private organizations starting in 2014. A comprehensive model evolved to solve the problems: climate change adaptation based on community cooperation, education on environmental topics, revaluing of indigenous ancestral knowledge and techniques, and women's role in community development.

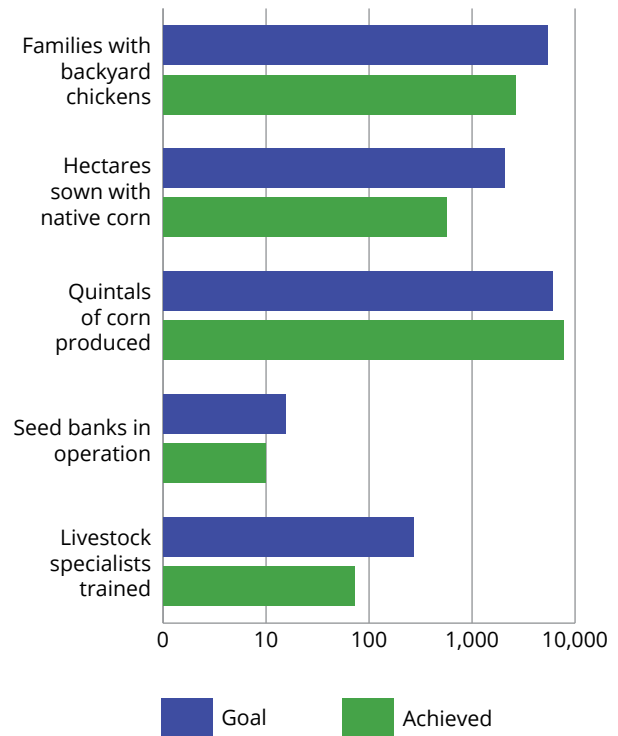
The model supports reforestation and agroforestry activities to sequester carbon, improve soils, and protect watersheds. It promotes the use of native plants and basic grains, recovers and supports the reintroduction of the creole hen, and educates the community.



© Commonwealth of Copán Chorti

The MIF project's results include:

- An early warning system has been created to provide timely weather predictions for decision making in agriculture. The system tracks information from eight interconnected weather stations that is shared in the portal www.simchorti.org.
- To date, about 3,000 hectares have been connected with the government's reforestation incentives plan, executed by the National Forests Institute. These hectares (certified for reforestation) have brought in more than \$600,000 in incentives for the Commonwealth of Copan Chorti.
- Four vegetable greenhouses have been built, directly generating jobs for 76 people (half of whom are women).
- Ten seed banks have been established to provide beneficiaries with seeds to plant basic grains; when their crop is harvested, the beneficiaries replenish the bank with more seeds than they were given originally. At least 293 families have been trained in this, incorporating good practices in agriculture and agroforest systems in the cultivation of community and individual parcels of land.
- By December 2015, a total of 36,000 chickens had reproduced; of these, 8,400 males had been sold, 2,000 had replaced the reproductive hens, and 25,250 had been delivered to 1,775 families. To monitor this program, 84 supporters received training in the identification, treatment, and prevention of diseases. Today, they manage 31 sustainable medical treatment centers for livestock.
- Nine native plants have been reproduced in greenhouses, benefiting 218 families who received a total of 12,250 samples.
- The seed banks are beginning to generate their own sustainability, through the marketing of improved creole corn and bean seeds, and by providing credit (in kind or financial) to small and medium-sized producers of basic grains.



- Forty-six field specialists have been trained, and have in turn trained more than 1,200 families in livestock issues; and training has been provided to 42 field schools and four local governments in how to integrate adaptation to climate change into their planning tools.

Execution of the project is not complete and its targets are not yet met, because of difficulties in coordinating the various institutions involved. But the project has achieved one major result, which is its most important: it now forms part of the planning processes and budgetary allocations for municipal governments in Copan Chorti. Thus, the project's sustainability is guaranteed. Furthermore, given the project's high visibility at the municipal level in Guatemala, it is likely that other commonwealths and municipalities will want to replicate it.

This project is another example of the MIF's role as a laboratory for the IDB Group. The IDB's Climate Change and Sustainable Development division has been observing the results of this project in Guatemala to determine whether to replicate it elsewhere.



Training Small Dairy Farmers to Produce More and Better Milk

Paraguay's dairy value chain enjoys very favorable conditions: a good geographic location, excellent soil, and low labor costs and tax rates. The country's eight milk-producing areas now generate more than 55,000 direct jobs, and the market has high growth potential.

However, the sector faces major obstacles to productivity, as nearly 40 percent of the milk produced is not accepted by processing plants because it does not meet phytosanitary standards. Also, 75 percent of small and medium-sized producers are not integrated into the dairy value chain, which affects their sales to stable markets. Lastly, small producers have limited access to technical assistance, low levels of technology for managing their farms, and inadequate infrastructure, all of which prevent them from being able to guarantee a quality product.

The MIF's solution was a 2010 project with the aim of increasing small producers' productivity and income by integrating them into the dairy value chain. The local organization that executed the project was Paraguay's Federation of Agricultural Production Cooperatives (FECOPROD), which has more than 40 years of experience and represents 30 cooperatives, including dairy farms, which group together more than 22,500 rural producers. The federation's work has been distinguished by its experience in successfully carrying out development projects and by its support for small rural producers in Paraguay.

The MIF project built strategic alliances that generated business opportunities for small producers with large and successful cooperatives. During the course of the project, smallholder farmers were integrated into the value chain, thanks to



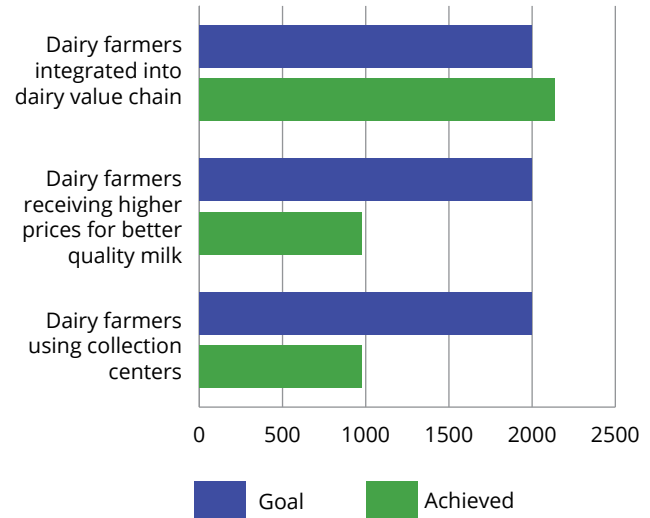
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training to increase their productivity. Also, a quality-control laboratory was established that generated high-value information about how to improve milk quality, and therefore allowed processing plants to apply pay-for-quality policies.

The integration of producers into Paraguay's dairy value chain has had a big impact on the amount of milk processed. From 2011 to 2015, the number of dairy producers delivering milk to collection centers more than doubled, to 776 producers from 377. In the same period, the amount of milk delivered to collection centers rose by 50 percent, to 30,000 liters a day from nearly 20,000 liters.

More than 2,000 producers received training in quality control, business management, and collection-center management. The milk's current high quality has met market standards, and production is comparable to that of producers with more advanced technology. The result is a 28 percent increase in the price that dairy farmers receive, as a bonus for the quality and quantity of milk they deliver. In addition, Paraguay's government formed an interdepartmental commission on the dairy value chain that has influenced Paraguay's public policies regarding the sector.

The MIF project has generated other significant impacts. One example is improved coordination between small producers and cooperatives/



associations, which in turn has strengthened the capacities of these cooperatives to provide good service and include small producers in their business operations, and to manage greater volumes and better quality of milk delivered to processing plants.

The project is now being scaled up. The United States Agency for International Development (USAID) signed an agreement with FECOPROD in 2014 to work on strengthening dairy and other value chains. Since 2015, USAID and FECOPROD have worked with dairy cooperatives in other regions of Paraguay, introducing the milk-quality system launched by the MIF to those regions, and improving the system in the process.



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'Greening' Finance to Adapt Farmers to Climate Change

Nicaragua is one of the countries in the world most affected by extreme weather events and climate variability. Current agricultural practices are falling short, and production of many crops has significantly dropped, which primarily hurts low-income small farmers.

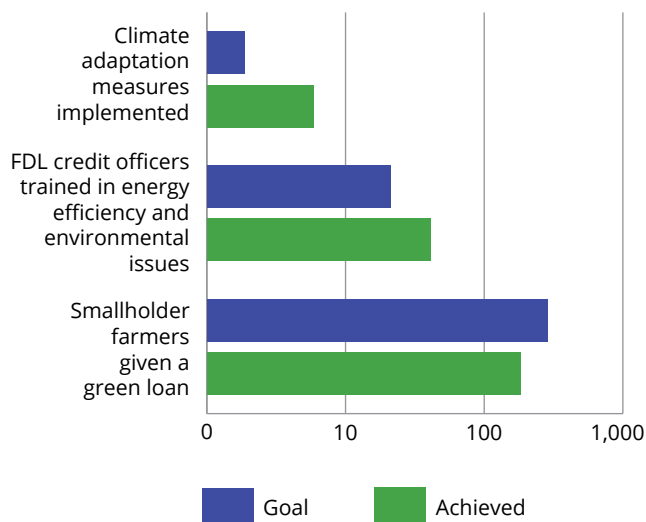
To shield Nicaraguan smallholder farmers from the effects of climate change—and therefore give them a more stable income—the MIF partnered in 2013 with a Nicaraguan microfinance institution, the Asociación Fondo de Desarrollo Local (FDL), on a “green” finance project. The MIF’s EcoMicro technical assistance facility, which is cofinanced by the Nordic Development Fund, provides funding to FDL to design financial products for smallholder farmers to help them adapt and become more resilient to climate change.

During its 15 years of operations, the FDL has specialized in providing microfinance services to the most vulnerable segments of Nicaragua’s population. Seventy percent of its portfolio serves the rural market, and more than half of its clients are women. The value of its assets and portfolio, along with the number of active clients, make it the largest microfinance institution in Central America.

With funding from the MIF, and based on a market study, the FDL designed an innovative green finance product that is unique to Nicaragua. Its design incorporated a methodology to calculate and analyze climate risks and factor in clients’ income-generating potential. It offers financing that combines investment in adaption measures, agricultural microinsurance, and technical assistance. This project also helped



© Lawrens Salazar, Financiera FDL



strengthen the FDL on environmental issues and made it better equipped to assess climate change-related risks in its loan portfolio.

This green finance product is innovative in several aspects. It comes with training in environmental management and energy efficiency. It also offers both incentive plans for implementing adaptation measures, and a flexible repayment schedule that is set up according to the savings that the farmers will realize from their new climate resilience and the timeframe required to amortize the investment they are making.

The results of the MIF project's pilot phase are still very preliminary, considering that when operations closed at the end of 2015, the product had been available on the market for only seven months. In that short time, the FDL had managed to:

- issue about 250 loans with technical assistance in climate change adaptation and energy efficiency;
- disburse close to \$500,000; and
- ensure that half of the producers had fully implemented at least two climate change adaptation measures.

The pilot project has demonstrated that this green financial product can be profitable, but it has also shown that the product can and should be improved. The quality of the product is good and it is widely accepted by Nicaraguan farmers. One year in, the farmers are clearly becoming more aware of climate change and are interested in learning more about adaptation measures—such as improving their agricultural practices so that they are more eco-friendly—and obtaining loans to invest in these measures.

The model still faces major challenges, the most pressing of which may be how to manage the high costs of training farmers in adaptation measures.





Financing Access to Running Water

About a quarter of Peru's population lacks access to safe, affordable drinking water. That's according to statistics from the country's Ministry of Housing, Construction, and Sanitation, and from international organizations such as Oxfam. On the outskirts of major cities, many residents depend on water tankers that truck in drinking water to sell at high prices—up to twice what it costs households in the same areas that are connected to water and sanitation systems.

Local water systems operators are responsible for expanding the network of pipes, and it is up to families to pay the hookup costs and make any necessary

upgrades for indoor plumbing. However, most families in these areas live in poverty and lack the resources to pay for service connections or home improvements.

To help give these families access to running water, the MIF approved the Crediagua project in 2013. It serves low-income people in areas outside Lima, Arequipa, and Trujillo through a sustainable model developed by microfinance institutions that gives microcredit to families to finance the installation of running water in their kitchens, utility or laundry rooms, and bathrooms.



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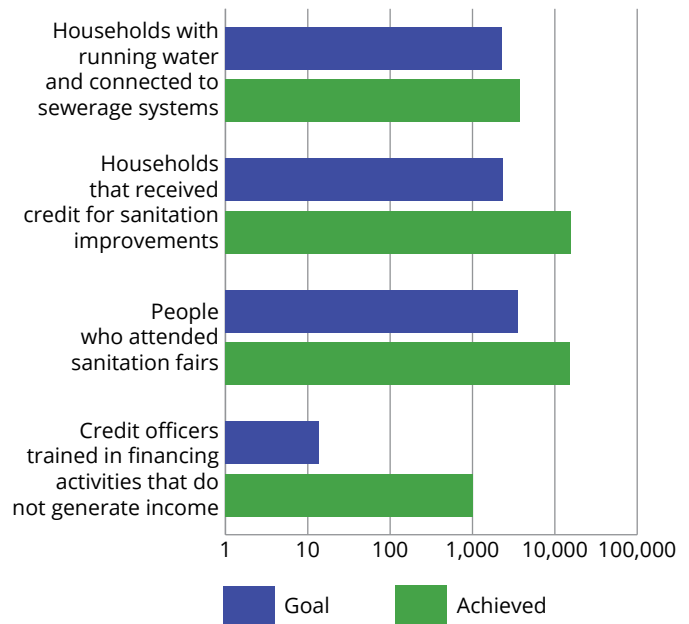
Agualimpia (Clean Water), the project's executing agency, is a nonprofit organization with a long track record in the water and sanitation sector. It has earned national and international recognition and has worked extensively with international development agencies, corporations, the private banking sector, and nonprofit organizations.

This project's innovative model works on two different fronts. It supports families by educating them about health and sanitation and providing the technical knowledge they need to make home improvements. It also generates business for microfinance institutions, by providing the awareness and training necessary to support a credit product that fits this particular need.

Unlike traditional microcredit, this product is used to finance activities that do not generate income—but that instead improve sanitation and reduce diseases. It is designed to factor in both the time that consumers need to pay back a nonproductive investment, and the potential savings that they realize by being connected to a potable-water system. The product also helps the institutions that offer it, by improving the quality of their microfinance portfolios.

Agualimpia coordinated the training for families; two financial institutions, Mibanco and Financiera Confianza, rolled out the new financial product nationally. As of December 2015, the initiative had the following results:

- More than 25,000 loans in five regions of the country (12 towns or cities and 37 bank branches). The project's original target was 2,000 loans in three years.
- \$8 million invested in sanitation improvements
- 1,308 individuals trained in plumbing skills
- 1,019 staff members from microfinance institutions trained
- Default rates below 1 percent



With indoor plumbing, families have adopted better hygiene practices and improved their living standards. Some have even started small businesses in their homes—which would have been impossible before these improvements—bringing them extra income. The IDB's Water and Sanitation Division has been actively involved in the project since the design phase. The project has cofinancing from AquaFund, which was established with funds from the IDB and Switzerland—through the State Secretariat for Economic Affairs (SECO) and the Swiss Agency for Development and Cooperation (SDC)—plus the PepsiCo Foundation and Austria's Ministry of Finance. The MIF is responsible for supervising the project, but the Water and Sanitation Division participates in decision making and agreements on how to implement operations.

The project exemplifies the synergy that can happen when the MIF tests a concept that can then be replicated through the IDB's operations, whether in Peru or elsewhere.



Salvaging Dreams and Opportunities

In every large city in Latin America and the Caribbean, there are people who scratch out a living by salvaging other people's trash—collecting, sorting, and selling old cardboard, paper, glass, plastic, or metal. These recyclers labor under unhealthy working conditions, with no social safety net, and tend to be excluded socially, economically, and politically from society. However, the work they do plays a crucial role in the sustainable development of cities, by helping to reduce the environmental impact of waste, ease pressure on landfills, and generate income for many families living in poverty.

Colombia has around 51,000 recyclers, 14,000 of them in Bogota. The Bogota Recyclers Association (Asociación de Recicladores de Bogota, or ARB), which has earned national and international recognition during its more than 20 years of operation, is an umbrella organization run by and for recyclers. It brings together 19 recycling cooperatives with more than 2,000 members, half of them women.

Despite the association's strong leadership and track record, the MIF saw an opportunity for the recyclers to take their business to another level. With entrepreneurial vision, the ARB could increase its



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participation in the waste value chain, expanding its collection capacity and introducing ways to transform recyclables—either through cleaning and reuse, or through industrial processes. Also, it was important that the greater society recognize recyclers' economic, social, and environmental contributions.

With these goals in mind, the MIF designed an ambitious program that included resources to provide technical and job training and to help develop the skills that recyclers needed to improve their managerial practices and to advocate for favorable public policies.

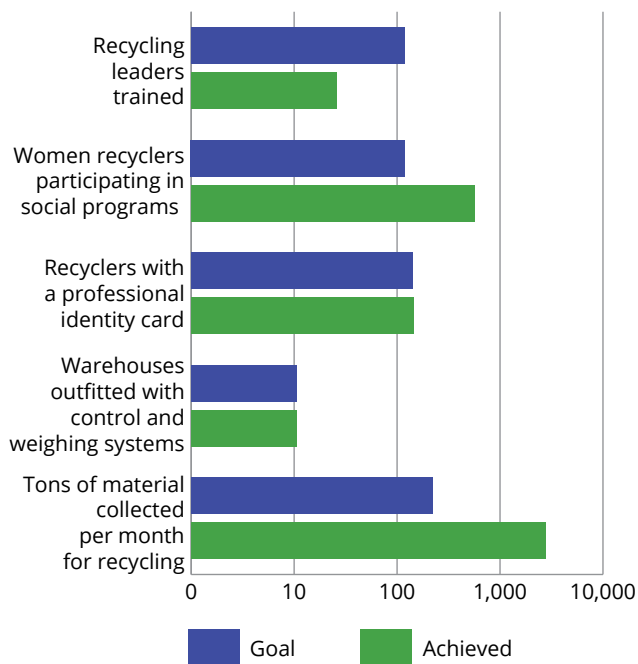
Even though the ARB has yet to become financially self-sustaining, the project's accomplishments have far exceeded the original goals, with a significant multiplier effect beyond the ARB and even beyond Colombia's recycling sector.

Here are some of the MIF-funded project's accomplishments:

- 151 leaders trained (503 percent more than projected) and 35 recyclers from ARB partner organizations trained (+206 percent)
- 501 women recyclers participating in social programs offered by ARB that provide support such as child care (+418 percent)
- 719 recyclers equipped with uniforms and supplies (+240 percent)
- 11 recycling warehouses outfitted with control and weighing systems (+100 percent)
- 2,600 tons of material collected per month (+1,330 percent)



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- 69 tons of material recycled per month (+173 percent)
- 2,000 public and private organizations that generate waste educated on key aspects of recycling, environmental protection, and climate change, among other topics (+751 percent)

The biggest accomplishment, however, has been the recyclers' influence on public policy:

- In 2011, Colombia's highest court issued a ruling that recognized the value of recyclers' work to society, their status as members of the solid waste value chain, and their right to be paid for making cities cleaner. As seen in Chapter 4, page 51, the court issued other rulings, thereby establishing an operational framework for solid waste recycling.



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- In 2013, the Bogota Mayor's Office launched a pay-by-weight system for recyclers as remuneration for collecting and transporting recyclable material. Some 4,000 recyclers are now registered in the payment program. By year-end 2015, more than 700 of them reported an average 47 percent increase in their income.
- The Mayor's Office offered incentives for recyclers to remove their horse-drawn carts from city streets. These incentives included a pedal-powered collection vehicle, or help with developing a business plan for their work, or affordable housing. Recyclers handed over a total of 1,800 horses; in exchange, 90 percent of the recyclers received a collection vehicle. According to the final evaluation report of the MIF project, these incentives represented a net transfer to recyclers of around \$35 million, which translates into \$42 leveraged for every dollar the MIF invested.

Empowered by the MIF, the ARB realized additional achievements that went beyond the goals of the initial project:

- The association successfully advocated for Colombia to adopt a labor certification standard for recycling. More than 1,500 recyclers have been certified to date, opening the door for new business opportunities for them.
- ARB itself obtained certification under quality standards, both at the national level (by ICONTEC, *Instituto Colombiano de Normas Técnicas*) and internationally (by ISO, the International Organization for Standardization).
- ARB recyclers began using formal banking services for the first time.
- Women heads-of-household recyclers were put in charge of a program to raise awareness about recycling among businesses and households that generate waste.

This was one of five MIF projects involving management of recyclable solid waste that laid the groundwork for the MIF's Regional Initiative for Inclusive Recycling in 2011.

The Bogota project brought in key stakeholders to help achieve these accomplishments. The MIF brought to the table two IDB funds: the **Gender Mainstreaming Trust Fund** and **AquaFund**. ARB attracted the support of Fundación Avina, Ashoka, Fundación CEMPRE, the Latin American Network of Recyclers, and Natura Cosméticos S.A.



Vox Capital: A Paradigm Shift

To talk about venture capital funds is to talk about innovation. This is particularly true in the case of Vox Capital, which was founded in 2009 as Brazil's first venture capital fund designed to make both a social impact and a profit. The founders of Vox wanted to invest in scalable companies with the potential for real social impact and a solid financial return. The idea was to support companies that were addressing needs related to education, housing, health care, and access to financial services for customers at the base of the economic pyramid.



In the beginning, Vox successfully supported several companies using capital from one of its founders. With this proof of concept, the Vox Fund I was launched in 2011, raising some \$35.5 million. Investors included development finance institutions (including the IDB/MIF), international foundations, and some individuals and families with substantial net worth.

It soon became clear that many companies had very little capital and were too immature organizationally,

operationally, and financially to receive an equity investment or convertible debt. Enter Vox Labs, which was created to work alongside accelerators and incubators already in the market to provide these early-stage companies with small amounts of financing to help them develop the maturity required to become clients of the fund.

Vox I Fund disbursements ranged from \$450,000 to \$4.5 million for well-established companies, while Vox Labs invested seed capital of \$150,000 in less-mature companies.

Vox's main results as of the end of 2015 were:

- More than 1,400 potential investments screened
- Investments in 19 companies
- More than 150,000 customers a day served by the 19 companies
- More than 200 direct jobs created, and
- A net asset value of 1.08 times its investment, and an unrealized internal rate of return of 3.9 percent.

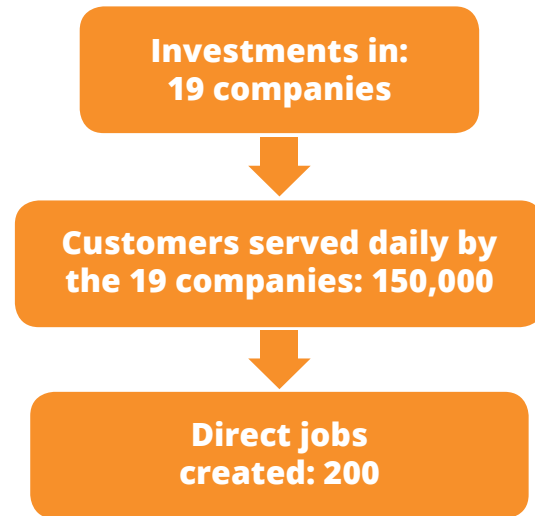
Vox Capital requires every company it invests in to be rated by the Global Impact Investing Rating System, considered the gold standard for assessing impact investments. Also, companies are encouraged, though not required, to follow Vox's own example and seek a B Corporation certification or its equivalent, which sets standards for for-profit companies that are interested in social impact investing.

Some examples of companies targeted by this fund include:

- A producer of game and educational software that aims to reduce the educational gap between public and private schools. By the end of 2015,

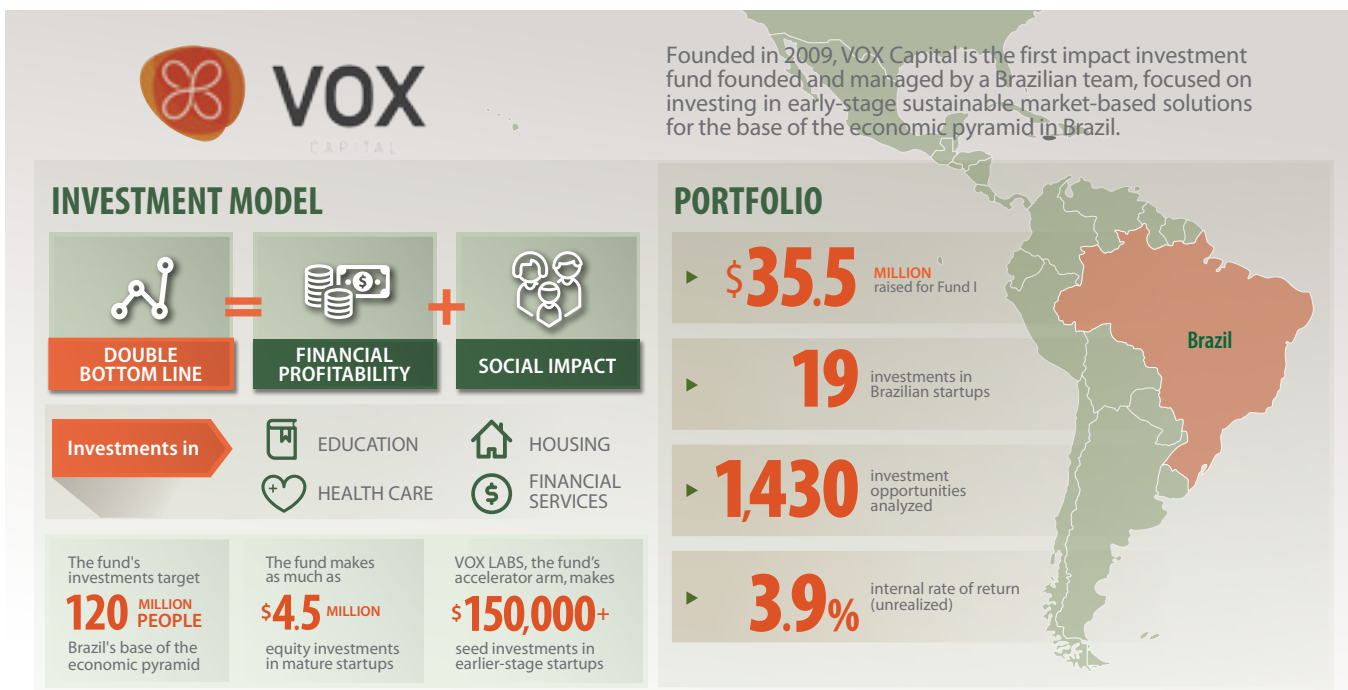
the software was benefiting not only 6,000-plus students in 24 public schools, but also 1,800 students in private schools. Teachers reported that the students' grades improved around 20 percent on standardized tests. Through partnerships with educational book publishers, the company plans to reach 300,000 students by 2018.

- An enterprise that automates patient admission records in public health-care centers through smart data management. The company has successfully reduced admission times at public health centers from 15 minutes to 2.5 minutes. The automated system has been installed in more than 5,000 public health-care facilities in 900 municipalities throughout Brazil.
- A developer of affordable housing in smaller cities with populations of less than 50,000 that has provided housing to more than 1,000 low-income families
- Other companies providing a range of products and services: microcredit for companies located in *favelas* (slums); inexpensive, high-efficiency portable ventilators; and online education platforms, among other things



Encouraged by these positive outcomes, and having accomplished its dual objectives of financial performance and social impact, the Vox Capital team started fundraising in 2015 for a second fund, which has a target of \$32 million and will follow a similar investment strategy.

Vox has shown that profits are compatible with social objectives—an important lesson in itself, and a clear paradigm shift. The company is contemplating future evaluations to produce more solid evidence of its impact.





NXTP Labs: On a Fast Track to Accelerate Tech Startups

NXTP Labs, an early-stage fund for technology companies, has had an impact across Latin America, with operations in Argentina, Chile, Colombia, Mexico, and Uruguay. Not only has it become one of the region's most active accelerators, providing a shot in the arm to more than 174 tech startups, but it has also been selected by the Harvard Business School as a case study in innovation.

NXTP Labs got its start in 2011, when four entrepreneurs pooled their savings and, with help from their extensive network of contacts, put together \$2.5 million to create an accelerator fund. In the first 18 months, 50 startup companies graduated from the program and NXTP Labs had its first successful “exit”—a company for which NXTP sold its stake at a profit.

This experience became the launching pad for a more ambitious idea: to come up with enough funding to accelerate 300 companies and spur entrepreneurship

across the region (see page 18). In 2013, NXTP Labs received support from multilateral organizations, including a \$5 million investment from the MIF, which became the lead Series A investor. The MIF funding attracted other investors and enabled NXTP Labs to bring that round of funding to a close with a total of \$38.5 million.

The goal was to help early-stage entrepreneurs develop and implement business plans that would allow them to reach the maturity needed to attract investment capital or obtain financing once the acceleration period was over.

It was decided that the accelerator would make a seed investment of \$25,000, structured as convertible bonds, in return for a minority-equity stake (usually 2 percent to 10 percent) in highly promising companies. For those that reached the break-even point and began to turn a profit during the acceleration period, NXTP could invest up to \$1 million, usually along with other investors.



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The acceleration program offers mentoring through a network of experts with broad experience in launching and supporting startups; workshops and weekly gatherings with successful entrepreneurs; and business support services in consulting, marketing, publicity, social media, and public relations. In other words, it is a comprehensive program that provides seed capital and a range of support services, while making larger investments in top performers.

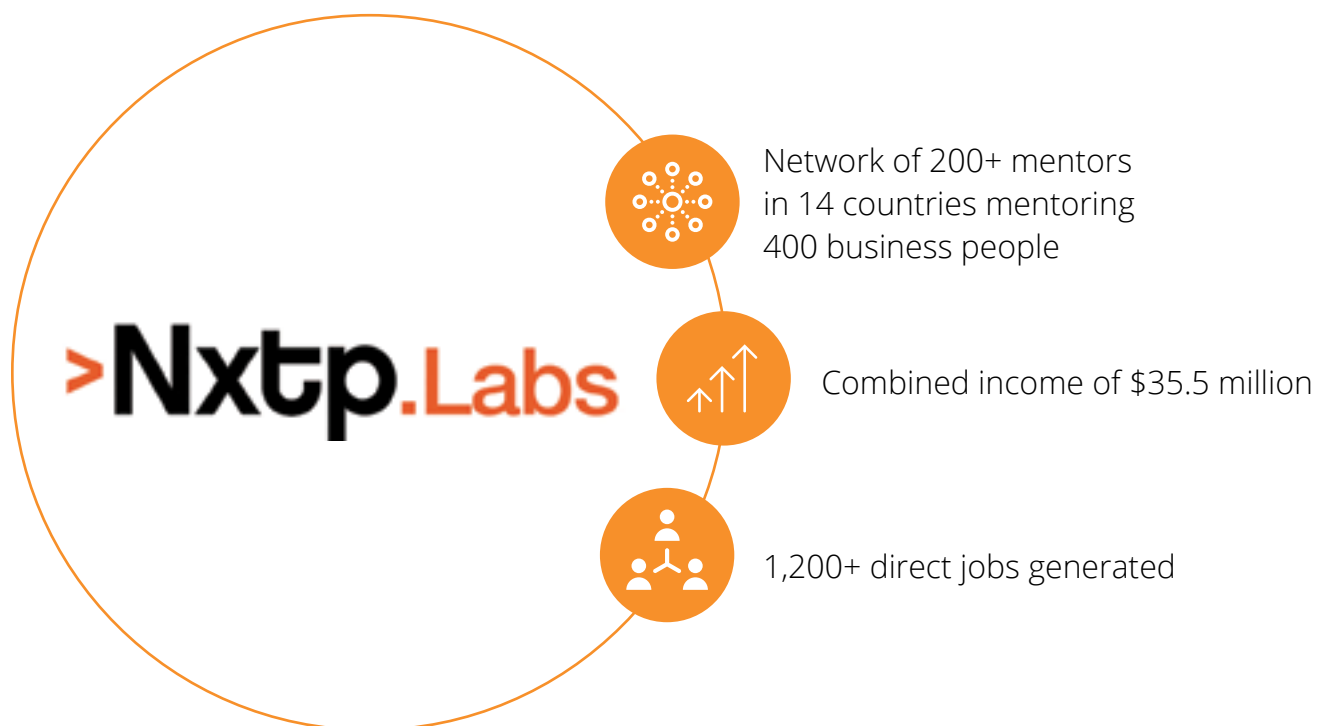
The fund was set up to operate for 10 years, with the possibility of a four-year extension. The goal was to invest in 300 companies, fully 60 percent of which would be expected to fail or barely break even, following the rule of thumb for investing in startups.

Two and a half years after it began operations, NXTP Labs had already reached half of its investment target and had drastically reduced the failure rate for its startups to 8 percent, from the expected range of 55 percent to 60 percent. As of December 2015, it had invested in 174 companies and had nine successful exits with an average return of 4.74 times the investment. One-quarter of the companies in its portfolio had high-growth potential.

NXTP Lab's impact at a glance, as of late 2015:

- The accelerated companies have generated \$35.5 million in income and directly employed close to 1,200 people.
- An independent evaluation commissioned by the MIF found that nearly 84,000 "indirect" jobs in suppliers and distributors of the new companies had been created.
- Many of the accelerated companies have found investors (angels, venture capital funds, accelerators, among others) that have provided more than \$120 million in capital.

NXTP Lab's success is the result of its clear vision of the type of business it seeks to develop and its broader potential to contribute to regional economic growth. Similarly, the MIF has played a role with its early investment and ongoing expertise and advice. Ultimately, though, NXTP Labs' strong performance can be attributed to the people behind it—its entrepreneurs and the network of mentors and investors committed to its success.





Crowdfunding for Entrepreneurs: Strength in Numbers

Finding the money to start or expand a business is always a challenge, but now entrepreneurs have another tool—online crowdfunding platforms that connect potential investors and donors with entrepreneurs. With a good idea and an effective campaign, a budding entrepreneur may be able to raise funds online instead of trying to get a bank loan.

Crowdfunding has a low barrier to entry—anyone with a bank account and Internet access can participate—and its success depends on an entrepreneur's ability to appeal to a critical mass of small contributors. In that sense, it democratizes financial opportunity. It also opens doors to those who traditionally have found it harder to obtain financing, such as social enterprises and businesses owned by young people or women.

The MIF decided to help build and strengthen the environment for crowdfunding in Mexico through a partnership with Anahuac University. The project has a variety of goals: raise public awareness about

crowdfunding; provide training in crowdfunding technology to entrepreneurs and small businesses; strengthen institutions in the crowdfunding sector by helping them identify and solve operational problems; train investors in how to use crowdfunding to channel funds toward projects; and help government authorities design an innovative and flexible set of regulations and a way to track information about developments in the field.

Key public institutions and agencies in Mexico have welcomed the crowdfunding project as an attractive method of financing, and have become involved in the project. These include the National Institute of Entrepreneurs (INADEM, its acronym in Spanish), the National Banking and Stock Commission (CNBV), the Office of Digital Strategy in the Office of the President, and National Financial (NAFINSA), a government institution that promotes the development of Mexico's financial sector.

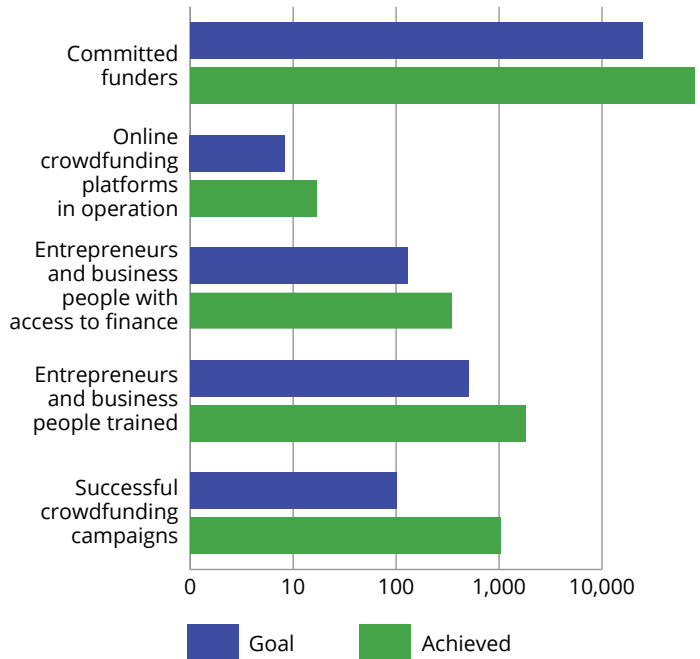


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After a year and a half of operations, the project can point to the following achievements:

- The Association of Collective Funding Platforms (AFICO), was created, through which 20 crowdfunding platforms are pooling their efforts to promote the new financing method and advocate for the interests of this emerging sector.
- 15,000 entrepreneurs and business people were trained in crowdfunding through social networks (YouTube, Facebook, and LinkedIn), in-person events, seminars, and webinars, using content produced by the project.
- 12,000 investors were educated about crowdfunding campaigns to solicit both financial support and non-financial support, such as mentoring, in return for rewards. For example, a jewelry designer might reward its mentor with discounted prices for jewelry.
- 80,000 funders participated in crowdfunding campaigns seeking both financial and non-financial support.
- The project's goal was 100 successful campaigns; the system implemented by Anahuac University and the MIF produced 1,000 successful crowdfunding campaigns by mid-2016.
- 3,500 entrepreneurs and business people obtained equity capital and debt financing via crowdfunding.

Much of the success thus far stems from the way public and private participants in the project have worked together to coordinate their interests. For example, NAFINSA has funded evaluations of AFICO-affiliated platforms with the goal of improving their operations, strengthening client services, and in general, strengthening trust in crowdfunding.



Meanwhile, the Office of Digital Strategy has helped develop a monitoring system to publicly track crowdfunding operations and results while protecting the identity of participants. As of mid-2016, it monitored 15 indicators of results across eight crowdfunding platforms. Eventually, information about all AFICO members will be included, and the system will be transferred over to Anahuac University, which will manage and update it.

Mexico's banking and stock commission has been developing regulations for the crowdfunding sector, with support from the IDB Capital Markets and Financial Institutions Division. The MIF project has coordinated with these efforts and ensured that the commission and AFICO are communicating about this process.

This project has become a true laboratory for the IDB Group to build its expertise in crowdfunding. The database being developed by the Office of Digital Strategy, in partnership with the crowdfunding platforms and with MIF support, is groundbreaking. With its emphasis on transparency, self-regulation, and accessible information, it can serve as a model for the crowdfunding industry worldwide.



Big Opportunities for Small Businesses

Small businesses in Jamaica have plenty of company, but not always plenty of funding. Although small and medium-sized enterprises account for 80 percent of businesses in the country, they face serious obstacles to accessing credit. The country's largest commercial bank, National Commercial Bank of Jamaica (NCB), began including this sector in its strategic objectives in 2004, but the bank encountered several problems, namely that it:

- didn't have credit history and other information about the smaller businesses, which meant that it was costly to process loans for them;
- lacked robust risk-management tools to efficiently assess, price, and mitigate the risks associated with small-business loans;
- didn't have staff that were properly trained to serve the sector; and
- needed to adjust credit procedures that had been designed for larger corporate clients.

In reaction, NCB initially planned to strengthen its technical and credit-scoring systems to allow it to increase its portfolio of small-business loans. Instead, working with the MIF, it ended up revamping its entire approach to small businesses, making fundamental changes to better meet the sector's needs—and in the process, improving Jamaica's ecosystem for financing for small businesses.

The MIF partnered with NCB in 2012 on the MIF's first project in the Caribbean that helped a commercial bank specifically target the small-business market, using a wide variety of financial and nonfinancial tools. The project was aimed at companies with financing needs of between \$10,000 and \$100,000.

Internally, NCB expanded the range of its loans and savings products, re-engineered its banking processes

and procedures, and trained its staff in credit analysis for small businesses. Externally, the bank joined with various partners—such as the Private Sector Organisation of Jamaica, ActionCOACH, and the Development Bank of Jamaica—to offer training to small businesses to help them grow and eventually be ready to receive additional credit.

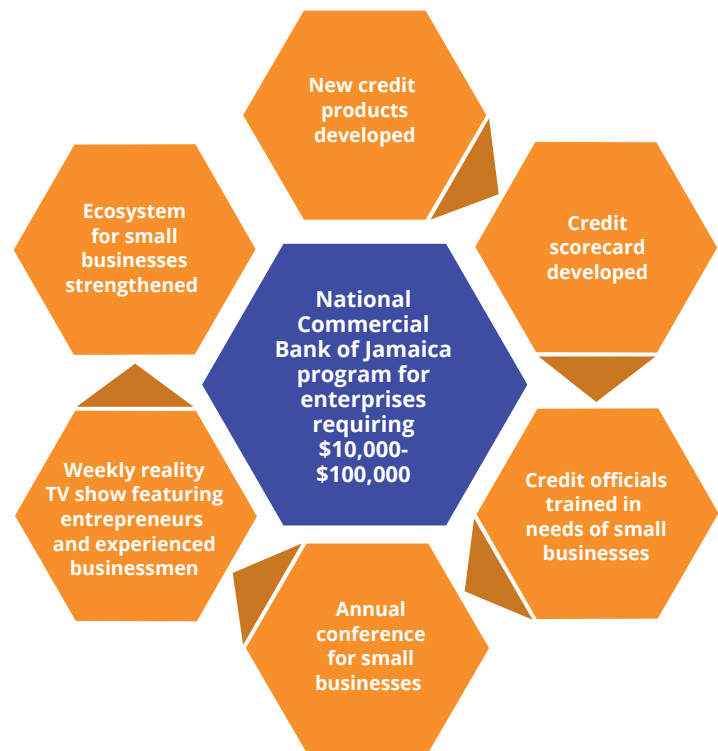
The project's achievements include:

- engagement with small businesses on multiple fronts:
 - › an annual conference for small and medium-sized enterprises attended by more than 100 small business owners
 - › business training and coaching for 25 of the conference attendees, including help in completing their applications to apply for NCB financing
 - › Capital Quest, a weekly reality TV show that begins each season with 8–10 entrepreneurs who compete to win a combined investment equivalent to \$390,000. The entrepreneur challenges in each episode provide further mentorship, training, and feedback—not only to the contestant, but also to a large audience of entrepreneurs, as the show can be found on local television and YouTube.
- creation of new financial products specifically oriented to small businesses
- training of NCB loan officers to better anticipate and respond to small businesses' needs
- development of the credit-scoring system, which will continue to evolve based on NCB's new insights into the needs of small businesses

While NCB's planned credit-scoring system is still a work in progress, its staff are trained in credit-risk analysis and how to translate this into loan pricing. They have learned how to include qualitative data, such as the experience of the management team, the business's longevity, and other factors.

NCB reports that among the small businesses that received training, deposit balances have grown by 75 percent since the start of the program, while loan portfolio balances have increased by 110 percent.

This financial and operational model, which has had a profound impact on financing for small businesses in Jamaica, could be the inspiration for other banks to implement innovative approaches to financing small businesses in their own portfolios.





Powered!: Youth Employment Training

The MIF project “Youth Employment Training in Suriname” has earned recognition for its innovative use of technology and multimedia to help at-risk youth develop job skills. Unsurprisingly, the MIF’s local partner and executing agency is an innovative social enterprise, The Back Lot. Known locally and internationally for its film festivals and accompanying educational programs—[The Talent Factory](#) and [Digital Playground](#)—The Back Lot developed a unique, interactive study plan, drawing on its knowledge of the cultural and social context of Suriname’s at-risk youth and also on its experience and technical capacity in providing training in information and communication technologies (ICT). The idea is to use these technologies to help at-risk youth develop skills that are critical both for the job market and for life. The Back Lot views life skills as essential to promoting personal development and creating sustainable conditions for better employment prospects.

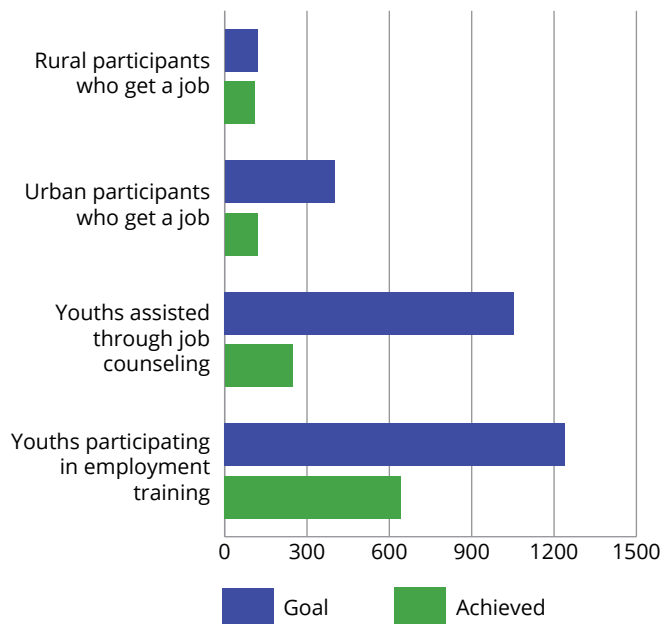
The program that the MIF and The Back Lot designed, called “Powered!,” is The Back Lot’s only training program that uses ICT—video and film in particular—to develop, empower, train, and engage youth so that they can support themselves and be productive. The curriculum includes such courses as *Life Skills and Basic ICT*, *Project Management*, *ICT and the Media*, and *Learning to Work*. Study units cover a range of practical concepts, including how to overcome obstacles, what it means to work on a team, accounting, responsibilities and roles, marketing, social networks, and media technology.

At the end of each course, the students demonstrate their newly acquired creative, technical, and personal skills by producing individual short films. For many, this program marks the first time they have made productive use of technology such as cell phones, video cameras, and computers—essential tools



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for working in the 21st century. The program was designed to make these young people attractive, not only to the domestic job market, but also internationally—primarily in the Netherlands, a country that could make good use of these young people’s job skills and speaks the same language as Suriname.



To summarize Powered!’s accomplishments:

- This program motivates people who are often ignored as potential candidates for different types of employment, because they have little education and are socially vulnerable.
- Suriname’s Ministry of Education recognized the program for its content and results, and is very interested in expanding it.
- The program is aligned with the IDB Group’s priority of advancing education and employment for Latin American and Caribbean youth. It is particularly relevant because Suriname has a shortage of people trained in multimedia and in information and communication technologies.
- In its first two years, the program trained around 700 at-risk youth, exposing them to a range of new opportunities for employment, professional development, and innovation in general.
- Two-thirds of participants completed the training, and approximately half of those who graduated went on to receive more training or successfully entered the job market. In the local job market, these success rates are significant.



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ONLINE ANNEXES

(available at www.fomin.org/DER2016)

- A. Selected Financial Data
- B. Social Entrepreneurship Program
- C. The MIF Productivity Fund 2015 Activity Report
- D. Projects Approved
- E. Investment Portfolio Status
 - Investment Portfolio Total December 2015
 - Equity Investment Portfolio December 2015
 - Loan Portfolio December 2015
 - Investment Portfolio Flag Summary December 2015
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 - Loan Portfolio June 2016
 - Investment Portfolio Flag Summary June 2016
 - Yellow and Red Flags June 2016
- F. Technical Assistance Portfolio in Red- and Yellow-Flag Status
- G. MIF Theory of Change
- H. Events and Knowledge Products

Contributing Project Executing Agencies

Asociación Civil Centro para la Acción de la Responsabilidad Social Empresarial	Fundação Parque Tecnológico Itaipu	Red Centroamericana de Microfinanzas
Asociación Cooperativa de Recicladores de Bogotá	Fundación Corona	Red Transaccional de Cooperativas, S.A.
Asociación Cuna	Fundación Empresarial para la Acción Social	Secretaría de Hacienda del Gobierno del Estado de Chiapas
Asociación de Cooperación para el Desarrollo Rural de Occidente	Fundación Hondureña de Responsabilidad Social Empresarial	Sociedad de Desarrollo Tecnológico de la Universidad de Santiago de Chile Limita
Asociación Dominicana para el Desarrollo de la Mujer, Inc.	Fundación José María Covelo	Solución Asea S.A. De C.V. Sfp
Asociación Empresarial para el Desarrollo	Fundación para el Desarrollo Frutícola	St Thomas Co-operative Credit Union Ltd.
Asociación Hotelera de la Riviera Maya	Fundación para el Desarrollo Local y el Fortalecimiento Municipal e Institucional	Transfer Solutions Providers Ltd. (TSP)/ Mango Card
Asociación para el Desarrollo de las Cajas Rurales	Fundación para el Desarrollo Sostenible	Trinidad and Tobago Coalition Of Services Industries
Asociación Perú Micro energía	Fundación para la Innovación Tecnológica agropecuaria	Un Techo para Chile
Banco de Ahorro y Crédito Unión, S.A.	Fundación Social Aplicada al Trabajo	Unión Nicaragüense para la Responsabilidad Social Empresarial
Banco de Comercio Exterior de Colombia, S.A.	Fundación Suiza para el Desarrollo Técnico - Swisscontact	Universidad Católica del Norte Antofagasta.
Banco Múltiple Santa Cruz, S.A.	Fundación Unión y Desarrollo de las Comunidades Campesinas	Universidad de Vinculación Tecnológica de Córdoba
Banestado Microempresas S.A. Asesorías Financieras	Future Centre Trust	Universidad Nacional de San Martín
Bolsa Nacional de Valores de Costa Rica	G Adventures, Inc.	Universidad Sergio Arboleda. Escuela de Empresa
Cámara de Comercio de Armenia	Global Partnerships	
Camino Sabio Azul S. de R.L. de C.V	Instituto Dos Auditores Independientes Do Brasil	
Centre for International Studies and Cooperation	Instituto Euvaldo Lodi Nucleo Regional na Bahia	
Centro de Investigación en Ecosistemas de La Patagonia	Instituto Mexicano para la Competitividad A.C.	
Comisión Nacional de la Micro y Pequeña Empresa, El Salvador	Inter-American Development Bank	
Comisión Nacional de Zonas Francas	Kingo Energy (formerly Quetsol, S.A.)	
Consejo Superior de Adquisiciones y Contrataciones del Estado	La Fédération des Caisses Populaires le Levier	
Consorcio de Organizaciones Privadas de Promoción al Desarrollo de la Micro y Pequeña Empresa	Locfund I	
Del Campo Soluciones Agrícolas	Microempresas de Antioquia	
Development Bank of Jamaica Ltd.	Cooperativa de Ahorro y Crédito	
Empresas Públicas de Medellín	Microfinanzas del Uruguay, S.A. (UR-MICROFIN)	
Entrepreneurial Finance Lab (EFL)	Mobile Cash Paraguay, S.A.	
Equity Enterprise Guanajuato	National Commercial Bank Jamaica Ltd.	
Financiera Summa, S.A.	Programa Cooperativo Regional para el Desarrollo Tecnológico de la Caficultura	
Fondo de Desarrollo Local	Projet de Reinsertion Socio Economique Des Jeunes	
	Rainforest Alliance	

Credits

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2016

MULTILATERAL INVESTMENT FUND

Development Effectiveness Report



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