



MIF

THE MULTILATERAL INVESTMENT FUND IN 2010



Expanding **Access to Finance, Markets, Capabilities and Basic Services** in Latin America and the Caribbean



MIF
Multilateral Investment Fund
Member of the IDB Group



DEAR MIF COMMUNITY:

It is with great pleasure that I share with you some of the milestones achieved by the Multilateral Investment Fund in 2010. This year has been one of exciting changes at the MIF. With a firm belief that meeting the most complex development challenges in the region requires flexible institutions that are constantly improving, we introduced a new institutional model, the Access Framework. The new framework provides the MIF with greater focus and calls for a strategic use of impact evaluation and knowledge to be a catalyst for meaningful change in the Region. The MIF's goal is to use its work as a springboard to catalyze systemic changes that will have an impact much beyond that of the MIF's specific projects.

Despite 2010's being a year of change and transition, the MIF continued delivering steady operational results. In 2010 we approved \$116mm in more than 100 projects. Our speed and flexibility allowed us to be one of the first development institutions to implement an economic recovery program in Haiti after the January earthquake. We continued testing innovative models for small business financing and driving the venture capital industry in nascent markets such as Central America. We renewed our commitment to addressing climate change issues by promoting carbon markets and the generation of clean energy and energy efficiency. We expanded our role in increasing Access to Basic Services among low-income populations by exploring new delivery and financing models with private, civil society, and nongovernmental organizations. We continued building local capabilities in public and private institutions for developing comprehensive economic development initiatives. We promoted sustainable agriculture and engaged in new initiatives to foster youth development.

Our portfolio continues to be healthy, with nearly 80% of our more than 650 active projects meeting their developmental goals, an outstanding rate considering the innovative nature of many of our interventions. MIF projects now reach more than 4mm micro-, small, and medium-sized enterprises as well as low-income populations that benefit from greater access to finance, markets, and basic services.

In 2010, the MIF continued connecting key industry and government players through high-level events. The Thirteenth Inter-American Forum on Microenterprise (XIII FOROMIC) in Uruguay was once again the largest and most relevant conference on enterprise development issues in the region, attended by more than 1,200 participants from 39 countries. The MIF also developed important publications that have become references in their respective sectors. Among the most prominent are the Microscope and the Infrascopes, two leading regional rankings assessing country readiness for microfinance and public-private partnerships.

This year, the MIF has begun gathering valuable lessons from impact evaluations to identify those projects and activities that generate high results. In the coming years, the MIF will more than triple the number of impact evaluations conducted each year, with a goal of using hard evidence on development results to catalyze meaningful change among policy makers, civil society and the private sector.

After a year of transformation, I recognize that the MIF's goals are ambitious and that the path set forth is not easy, but it is my conviction that the MIF is now in a stronger position to fulfill its mission.

I would like to express my gratitude to our donors and partners for their continuous support and to the entire MIF staff for their hard work and invaluable contributions during 2010.



A handwritten signature in black ink, appearing to read 'Julie T. Katzman', written in a cursive style.

JULIE T. KATZMAN
General Manager
Multilateral Investment Fund

BUILDING ON OUR STENGTHS TO INCREASE OUR IMPACT

2010 has been a transformational year for the MIF. In the spirit of continuous improvement, the MIF pushed its own boundaries and began devising new ways to increase its developmental impact. In a comprehensive exercise conducted this year, management, staff, and partner institutions identified the building blocks for a new strategy going forward. After an intense process of deliberation and planning, the Access Framework was launched in the second half of 2010. The new framework seeks to position the MIF as catalyst for enabling better Access to Finance, Markets, and Basic Services for micro-, small, and medium-sized enterprises (MSMEs) and low-income populations in the region. Building on the key success drivers that allowed the MIF to achieve systemic impact in the past, the Access Framework introduced a number of changes, some of which are described below.

Greater Focus

The Access Framework reduced the number of areas in which MIF works, resulting in a leaner thematic portfolio of ten topics under three Access Areas (see FIGURE 01). This sharpened thematic focus will enable the MIF to concentrate its efforts on those areas where it can achieve the greatest impact.

Clear Objectives

Each project area or “agenda” selected for inclusion in the Access Framework has undergone a process of strategic planning, which began by defining clear systemic objectives, in terms of broad and ambitious changes that the MIF wishes to generate beyond specific projects. For monitoring progress toward these objectives, each agenda set periodic indicators and milestones, identified projects and activities over a medium-term timeframe, and devised a comprehensive evaluation plan.

FIGURE 01

ACCESS TO	01.	ACCESS TO	02.	ACCESS TO	03.
FINANCE		MARKETS & CAPABILITIES		BASIC SERVICES	
TOPICS <ul style="list-style-type: none"> ▶ Microfinance ▶ Early Stage Equity ▶ SME Financing ▶ Financial Services for Low Income People 		TOPICS <ul style="list-style-type: none"> ▶ Market Functioning ▶ Business Capabilities ▶ Job Skills 		TOPICS <ul style="list-style-type: none"> ▶ Engaging Private Sector in Delivery of Basic Services ▶ Climate Change 	
Focus sectors and cross cutting priorities					
SPECIAL TOPIC					
HAITI <ul style="list-style-type: none"> • Agriculture and rural development • Gender and historically excluded populations • Corporate Engagement & CSR 					

Impact Evaluation

Starting in 2011, the MIF will more than triple the number of impact evaluations conducted each year. A greater use of impact evaluations employing experimental or quasi-experimental methods will allow the MIF to identify and direct resources to areas that demonstrate the greatest impact. By providing hard evidence on successful models, these evaluations will allow the MIF to influence other external actors that are in a position to bring programs to scale and effect systemic change.

Knowledge and Partnerships

Under the Access Framework, the MIF will expand activities that generate and disseminate knowledge, such as regional rankings, toolkits for practitioners, technical publications, and specialized conferences.

Through these kinds of products and activities, the MIF will be able to reach a broader set of actors and exert greater influence over initiatives, thereby multiplying its overall impact. The MIF will also actively seek to influence and engage in partnerships with other organizations to achieve the type of systemic change that projects alone are unlikely to reach.

Multifunctional Teams

To better support the implementation of the Access Framework, the MIF has designed a new organizational structure that allows for a more dynamic relationship among staff with different but complementary skills. The new structure encourages collaborative work across different units and between country offices and headquarters, and promotes the formation of multifunctional teams. Project teams are also more involved during the entire project cycle—from design to completion—providing a more diverse set of skills to support each stage.

The changes initiated in 2010 as part of the Access Framework will provide a platform enabling the MIF to be even more catalytic in achieving the type of systemic impact that has made it highly relevant in the region (see CASEBOX 01). ▀

CASEBOX

01



Systemic Impact in the Venture Capital Industry

One concrete example of how systemic impact can be achieved using a combination of projects and communication strategies is the MIF Venture Capital (VC) Program. In 1996, the MIF began investing in VC funds as a way to foster business development, at a time when the industry was virtually nonexistent in Latin America and the Caribbean.

As a pioneer, the MIF sought to make a catalytic contribution through different instruments, including direct investments, technical assistance projects, and outreach activities. The MIF has invested more than \$200mm in over 40 VC funds—more than any other investor in the region—leveraging close to \$1.6 bn from other private and institutional actors and demonstrating the viability of VC vehicles. It also played a brokering role by connecting critical players across the industry and showcasing the investment potential of Latin America and the Caribbean in many global forums.

The MIF helped build the conditions for a sustainable VC industry by building capacity in VC management teams, supporting several local VC associations, and helping create the Latin American Venture Capital Association (LAVCA). In addition, the MIF provided advice to several governments and partnered with them to implement large-scale programs. One of them was the INOVAR initiative in Brazil, which resulted in close to \$1bn in capital raised in 24 funds and provided a sound platform for consolidating the VC industry in the country.

Since the MIF began supporting venture capital in the region, the industry has grown exponentially, providing thousands of SMEs with access to growth capital and improving their governance and business performance. Between 1995 and 2008, VC and private equity fundraising in Latin America and the Caribbean increased from \$85mm to \$6.4bn. Brazil has positioned itself as a leading venture capital market, with Colombia, Peru, and Mexico making rapid progress.

The region as a whole has gained credibility with global investors, and regional organizations such as LAVCA are propelling the industry even further by producing industry data and connecting international players with local opportunities. The MIF VC program has been a fertile seed in facilitating this change.

2010 AT A GLANCE

17 years supporting private sector development in Latin America and the Caribbean

In 2010, the MIF completed its 17th year supporting private sector development in the Latin American and Caribbean region. Since 1993, the MIF has committed close to \$1.8bn and mobilized an additional \$1.9bn from other partners to finance more than 1,700 projects. MIF interventions have helped nearly four million entrepreneurs and MSMEs improve their capabilities, enter new markets, or obtain finance.

In addition, the MIF has sought to improve the business climate in the region by promoting regulatory reform, fostering productive infrastructure and basic services, and most recently, engaging in climate change initiatives.

\$1.8

billion committed

1,700

projects financed

four

million entrepreneurs and MSMEs reached

The ability to provide a mix of grants and financing products makes the MIF an exceptional development partner

The MIF's flexibility to use both grant and financing instruments to support its projects has made it an exceptional partner for achieving developmental impact through innovative solutions.

In 2010, the MIF had a portfolio of 656 active projects with a value of \$793mm, 68% of which were grants, 27% equity investments, and 5% loans.

The MIF's flexible range of products has made the organization catalytic in jump-starting a variety of industries, including microfinance, venture capital, and remittances.

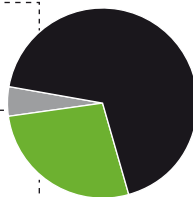
656

active projects in 2010

68%
grants

5%
loans

27%
equity investment



The MIF continues to enhance project quality and achieve consistent performance

Ensuring successful project implementation is central to achieving development impact, particularly when implementing innovative projects with higher risk levels.

In recent years, the MIF has revamped its project monitoring and performance systems by streamlining reporting and supervision procedures, introducing a disbursement-by-results modality, and upgrading its risk assessment tools.

In 2010, the overall MIF portfolio showed a healthy outlook, with 79.7% of projects meeting their development goals.

The MIF is also incorporating new systems for aggregating output and outcome indicators, as described in CASEBOX 02. Detailed operational and financial results are presented in TABLE 01.

79.7%

of active projects meeting their development goals

More than \$116mm in new projects in 2010

In 2010, the MIF approved more than \$116 million across 102 projects that seek to expand Access to Finance, Markets & Capabilities, and Basic Services for MSMEs and low-income populations.

MIF projects and activities this year proved to be highly relevant in meeting the region's most urgent needs, testing innovative models, and building the foundations of a number of nascent industries in the region. Some of the specific projects and activities carried out in 2010 are described below.

\$116
million committed for
new projects in 2010

The MIF once again proves to be an effective and fast-moving vehicle in times of emergencies

In the early stages of the recent global financial crisis, the MIF was one of the first institutions to mobilize emergency lending to assist financial institutions in Latin America and the Caribbean.

\$15
million committed to Haiti in 2010
25,000
mango producers supported

Through programs such as the Emergency Liquidity Facility and the Microfinance Growth Fund (MIGROF) (see CASEBOX 03), the MIF was able to assist 23 financial institutions and secure credit to tens of thousands of microfinance borrowers. In the aftermath of the earthquake that devastated Port-au-Prince, Haiti, in January 2010, the MIF was one of the first development institutions to initiate a recovery program. The Haiti Emergency Spending Allocation Request (HESAR) program committed \$2.4mm to help 17 local agencies in Haiti resume operations and ensure the continuation of critical services to thousands of the country's entrepreneurs and small businesses. In addition, the MIF approved six projects, which together with the HESAR program represent more than \$15mm in resources supporting reconstruction efforts, providing emergency liquidity lending, and assisting local producers. (See CASEBOX 04).

TABLE 01	93-10	2010	2009	2008
RESOURCES APPROVED (\$mm)	1,763.4	116.4	116.9	167.9
RESOURCES DISBURSED (\$mm)	1,166.9	102.9	99.2	111.7
RESOURCES LEVERAGED FROM PARTNERS (\$mm)	1,927.7	257.7	501.7	151.5
AMOUNT LEVERAGED PER DOLLAR APPROVED (\$)	1.10	2.20	4.30	0.90
NUMBER OF PROJECTS APPROVED (A)	1,773	102	116	144
NUMBER OF PROJECTS COMPLETED (B)	881	67	88	59
PERCENTAGE OF COMPLETED PROJECTS REACHING THEIR DEVELOPMENT GOALS (C)	79	74	86	82
NUMBER OF PROJECTS IN EXECUTION		656	646	587
VALUE OF PROJECTS IN EXECUTION (\$mm)		793.9	815.6	799.4
PERCENTAGE IN EXECUTION WITH SATISFACTORY PERFORMANCE (C)		80	77	84
	KEY OPERATIONAL HIGHLIGHTS			

(A) Includes projects that may have been cancelled

(B) Excludes cancelled projects

(C) Based on projects with published Project Status Reports

MIF FINANCIAL			
PORTFOLIO	2010	2009	2008
	<i>Micro/SME finance loan portfolio</i>		
TOTAL AMOUNT OUTSTANDING (\$mm)	30.9	32.5	46.5
NUMBER OF ACTIVE LOANS	18	25	24
DISBURSED AMOUNT (\$mm)	11.5	14.3	5.0
INTEREST RECEIVED (\$mm)	1.4	2.6	2.6
PRINCIPAL RECEIVED (\$mm)	13.3	29.1	12.8
	<i>Micro/SME finance equity investments</i>		
TOTAL AMOUNT OUTSTANDING (\$mm)	39.1	29.4	26.0
NUMBER OF ACTIVE INVESTMENTS	17	14	14
DISBURSED AMOUNT (\$mm)	8.1	5.5	5.6
DIVIDENDS AND CAPITAL RECEIVED (\$mm)	1.2	1.8	6.1
	<i>Venture Capital</i>		
TOTAL AMOUNT OUTSTANDING (\$mm)	99.3	92.0	90.1
NUMBER OF ACTIVE VC FUNDS	40	36	35
DISBURSED AMOUNT (\$mm)	9.5	14.5	14.7
DIVIDENDS AND PRINCIPAL RECEIVED (\$mm)	5.9	11.1	11.6
	<i>Outreach of all financial operations</i>		
NUMBER OF MICROENTERPRISES REACHED	3.8 MM	3.7 MM	3.7 MM
NUMBER OF SMES IN THE VC PORTFOLIO	301	291	273





Understanding portfolio effectiveness

All MIF projects are required to include quantifiable development indicators that are currently tracked at the project level. As a result of an investment in new reporting mechanisms, the MIF is now able to aggregate data.

The 88 projects completed in 2010 disbursed a total of \$50.3mm and were able to reach 50,438 individual producers or entrepreneurs and 16,129 MSMEs.

Some of the specific outcomes identified in target beneficiaries include improved productivity (4,086 beneficiaries), enhanced product quality (3,143 beneficiaries), access to new markets (3,075 beneficiaries), increased sales and revenues (2,126 beneficiaries), and adoption of clean technologies (101 beneficiaries). The MIF will continue to aggregate such data and is introducing a standard results framework with mandatory indicators to facilitate future assessments.



Building a fruitful future for Haiti

In the aftermath of Haiti's devastating earthquake, the MIF partnered with The Coca-Cola Company and TechnoServe to support long-term recovery efforts through the development of the mango industry. The Haiti Hope Project was envisioned to help more than 25,000 Haitian mango farmers and their families. This five-year project, currently estimated at \$7.5 million, seeks to double the income of these farmers while contributing to the long-term development and revitalization of Haiti. Other expected benefits include the generation of at least 500 additional jobs within the mango value chain and a significant increase in the number of women participating as producers or in leadership positions with the mango cooperative. The MIF is providing \$3mm of the project financing, TechnoServe will provide \$1mm, and Coca Cola will finance \$3.5mm through a 10 cent contribution for each of its Odwalla Mango Tango Smoothies sold.



MIGROF

When the global financial crisis threatened to limit funding and growth for the region's highly successful microfinance sector, the MIF took the lead in creating a new facility to provide funding to institutions that were faced with a reduction in credit facilities and international lending.

The MIF joined forces with a group of long-time partners in the microfinance sector, raising \$160mm to provide medium-term funding in both local currency and U.S. dollars. Investors in the facility include specialized microfinance institution (MFI) investors, such as Acción and Gray Ghost Ventures, socially responsible commercial investors such as Citibank/Banamex, and other bilateral and multilateral entities CAF, Overseas Private Investment Corporation (OPIC), Inter-American Investment Corporation (IIC), and the Norwegian Microfinance Initiative (NMI).

The facility made its first loans in 2010, disbursing \$20mm to nine MFIs across six countries. Another \$30mm is currently in the pipeline. The facility is viewed as an important sign of confidence in the region's microfinance sector, which supports more than 10 million small business owners in the region.



The Infrascopes

Good infrastructure is essential to business competitiveness and economic growth. Yet investment in infrastructure by the public sector alone is often limited as a result of high risk, complex operational arrangements, and the large financial requirements it usually entails. One way to bridge the financing gap and improve efficiency in infrastructure is to bring private funding into the mix through public-private-partnerships. In LAC, PPPs have demonstrated to be instrumental in advancing infrastructure, but many countries have not yet developed adequate conditions for planning and implementing PPPs. To help improve understanding of the specific barriers preventing a wider use of PPPs in the region, the MIF sponsored for the second year the publication of the Infrascopes. Developed with the Economist Intelligence Unit, the Infrascopes evaluates the environment for PPPs in the region through an index comprising six components: legal and regulatory frameworks, institutional framework, operational maturity, investment climate, financial facilities, and a subnational adjustment factor.

The 2010 edition of the Infrascopes ranked 19 countries, with Chile, Brazil, and Peru coming in at the top as offering the best environments in the region for implementing PPPs.



ACCESS TO **BASIC SERVICES**

INNOVATIVE SOLUTIONS FOR EXPANDING BASIC SERVICES TO LOW-INCOME POPULATIONS

The MIF is testing innovative models for improving the delivery and financing of basic services to low-income populations by involving nonstate actors, including small enterprises, nongovernmental organizations, civil society groups, foundations, community groups, and large corporations. One example is a gas delivery project in Buenos Aires, in which the MIF and a local Bank will provide financing to 7,000 low-income families for gas connections that will be repaid through monthly gas bill payments. The project also creates business opportunities for builders, gas technicians, and gas distributors.

BUILDING CAPACITY FOR PUBLIC- PRIVATE PARTNERSHIPS IN MEXICO

Public-private partnerships (PPPs) are increasingly seen as vehicles for expanding infrastructure and basic services. Planning and implementing PPPs, however, can be complex and often requires high levels of technical and legal knowledge. To help close the capacity gap in this regard in Mexico, the MIF partnered with the Monterrey Institute of Technology and Higher Education (ITESM) to create an institutional platform for training and technical assistance in the area of PPPs, the first of its kind in LAC. Through this platform, ITESM will offer a degree in structuring and financing of PPPs and will provide advisory services to local governments implementing PPPs.

THE MIF INCORPORATES CLIMATE CHANGE INITIATIVES AS PART OF ITS DEVELOPMENT STRATEGY

The MIF has been supporting clean energy, energy efficiency, and sustainable business projects for more than 10 years. With the increasing relevance of climate change in LAC, the MIF introduced a specific work agenda with more ambitious goals in 2010.

One of the first projects under the climate change agenda was a fund to develop carbon markets and promote investments in clean energy and energy efficiency, which is expected to benefit 10,000 households and 1,500 MSMEs across the region.

10,000

households to benefit from renewable energy

1,500

MSMEs to benefit from carbon credit and energy efficiency





ACCESS TO **CAPABILITIES & MARKETS**

USING SPORTS AS AN INSTRUMENT FOR IMPROVING YOUTH EMPLOYABILITY

To help youth from at-risk backgrounds improve their employability and build their entrepreneurial talent, the MIF implemented the A Ganar/A Vencer program. The program uses soccer and other team sports to teach youth life skills such as discipline, responsibility, and teamwork and to provide training on technical skills that are in demand in the job market. The program, completed in 2010, reached over 3,400 youth aged 16–24 in Brazil, Ecuador, and Uruguay.

Of the youth that participated, more than 70% graduated from the program, and between 50% and 70% of the graduates obtained jobs, returned to school, or started their own businesses within a year, depending on the country.

Businesses hiring A Ganar/A Vencer graduates have reported high degrees of satisfaction with the level of motivation, discipline, and skills demonstrated by the newly hired. With additional support from the MIF, the Nike Foundation, the U.S. Agency for International Development, and other donors, a new A Ganar/A Vencer project has been launched and will reach 5,400 additional youth in eight Latin American and Caribbean countries by 2012.

3,400

youth improving technical skills

5,400

youth expected to be reached by 2012



SUPPORTING SOCIOECONOMIC INCLUSION OF WASTE PICKERS IN ARGENTINA

More than 2,000 informal recyclers from Argentina will strengthen their organizations and productive processes as a result of a MIF project in partnership with Fundación AVINA and in collaboration with PepsiCo.

The project will develop a market for recycling or recycled solid waste and improve incomes and working conditions of waste pickers.

2,000

informal recyclers strengthening their capabilities

DEVELOPING THE NATIVE FRUIT CHAIN TO SUPPORT INDIGENOUS FARMERS IN BRAZIL

In 2010, the MIF approved a project to support 300 local indigenous families and 150 small farmers working in a native fruit chain in the communities of Maranhão and Tocantins, Brazil.

The project will develop a more competitive and more sustainable value chain and will complement recent investments made by a fruit-processing company, which will open new markets for the local produce.

300

local indigenous families supported

150

small farmers benefitting from a stronger fruit industry in Brazil



ACCESS TO **FINANCE**

TESTING NEW LENDING MODELS TO BETTER MEET THE FINANCIAL NEEDS OF SMALL BUSINESSES

In 2010, the MIF helped establish Panama's first business finance center specializing in small enterprise lending. The center follows an innovative lending model that seeks to provide growth-oriented small enterprises with sustained access to tailor-made financial services. The model has been successful in Canada and Africa and is now being tested in Latin America for the first time.



LAYING THE FOUNDATIONS OF A MORE VIBRANT VENTURE CAPITAL INDUSTRY IN CENTRAL AMERICA

The MIF has been instrumental in driving the VC industry in many countries—including Brazil, Peru, and Colombia—helping hundreds of SMEs obtain equity financing and improve their governance and market performance. To promote the still-infant VC industry in Central America, in 2010 the MIF helped establish the first regional VC fund which includes a significant participation from private investors. With a target capitalization of at least \$25mm, the fund will finance up to 10 SMEs, which will receive investment and hands-on guidance.

\$25

million to be channeled to SMEs in Central America



KNOWLEDGE **SHARING**

THE MIF REACHES A BROADER RANGE OF STAKEHOLDERS THROUGH KNOWLEDGE PRODUCTS AND KNOWLEDGE SHARING

To multiply its impact and catalyze systemic change, the MIF works to influence a broad range of actors, including policymakers, regulators, private investors, and business leaders.

To this end, the MIF has continued developing knowledge products and knowledge-sharing events that are becoming highly recognized in their respective industries. Two of the main knowledge products in 2010, developed in partnership with the Economist Intelligence Unit, are the Microscope and the Infrascopes, two leading rankings assessing country readiness for microfinance and public-private partnerships and often used by policymakers to promote sector reforms (see CASEBOX 05).

In 2010, the MIF organized the Thirteenth Inter-American Forum on Microenterprise (XIII FOROMIC), the largest regional event of its kind, bringing together more than 1,200 practitioners, policymakers, and financial institutions to discuss microenterprise development issues.

The MIF also hosted RemesAmericas, which provided a venue for industry leaders from 26 countries, including high-level financial sector officers, remittance business line managers, policy makers, international donor agencies and other current and potential market players from around the world to explore the future of the money transfer business by highlighting new areas for intervention.

Other events sponsored by the MIF this year are discussed in Knowledge for LAC: Publications and Events. ▴



INSIGHTS FROM IMPACT EVALUATIONS

The MIF is becoming a leading institution in gathering hard evidence on development results

Impact evaluations are critical for determining whether projects work, why and whether they make a difference in regards to their beneficiaries. They attempt to measure the contribution of a project to a set of outcomes and identify critical factors that explain success or failure. Institutions that use impact evaluations as a way to learn and inform decision making become results oriented, are better able to allocate resources across promising areas where success has been proven by evidence and are able to use those successes to catalyze change.

As a result of these advantages, the MIF has implemented an aggressive plan for conducting impact evaluations on a sample of projects (see CASEBOX 06 for an example) and will increase the number of evaluations under the Access Framework. The following are some of the lessons and recommendations that emerged from five such evaluations completed in 2010.

Overall, the impact evaluations found positive benefits in program participants

Four out of the five impact evaluations conducted in 2010 suggest that MSMEs and other program participants benefitted from program participation in terms of higher sales, increased exports, increased productivity, and increased employment for example.

A number of the evaluated programs also appear to have catalyzed changes in public policy

One example is the beef traceability system TRAZAR, which was successfully tested in Santa Fe, Argentina, and later adopted by companies in three neighboring provinces.

Another example is the Arranjos Produtivos Locais model for business development, which was tested in four Brazilian cities and later adopted country-wide as part of national policy.

And yet another example is the passage of laws facilitating the expansion of commerce and exports within free trade zones in Costa Rica, which was promoted by a MIF supplier development program.

The potential trade-off between type of beneficiary and impact must be considered

Program participants' size, level of organization, and in some cases entrepreneurship skills have a direct impact on program outputs and outcomes.

For example, empirical evidence from Uruguay shows that the larger and more formal MSMEs performed better than smaller and less formal MSMEs in terms of sales, exports, and job creation.

Similarly, in a program implemented in Argentina, more-skilled workers in the prime of their productive lives had greater success finding and retaining employment than others in the program. The lesson is that some development programs may involve a

trade-off between the type of beneficiary targeted and the impact achieved and may guide the targeting of scarce development resources.

Intensive interventions must be considered in addition to or instead of “light touch” interventions

Behaviors are generally resistant to change. Facilitating the types of behavioral changes sought by MIF programs may require repeated interventions or other forms of reinforcement.

Evidence shows that projects that concentrate on a few beneficiaries with more intense assistance and follow-up support achieve greater impact than projects reaching more beneficiaries with “light touch” interventions. ▲

CASEBOX

06



Impact Evaluation of the Business Development Program for the Software Industry in Uruguay

The Business Development Program for the Software Industry in Uruguay

implemented by the Uruguayan Chamber for Information Technology with a total budget of \$1.6mm, provided technical assistance to 72 software SMEs in that country to improve their quality and cost control systems, strengthen their business management and internationalization efforts, and adopt international standards. The findings of the ex post impact evaluation commissioned by the MIF show positive and sustainable results for beneficiary companies in the four years after completing the program. Total sales by beneficiary SMEs increased 72%, exports increased 89%, employment jumped 71%, and client bases expanded by 124%. A constructed control group of similar SMEs that did not participate in the program showed less vigorous growth. Sales in the control group increased by only 64%, exports increased by 77%, employment by 48%, and client bases by 42%. All indicators were higher in the group of beneficiary companies. At the same time, the impact evaluation verified positive spillover effects of the program on other companies that imitated good business practices and were driven to export markets.





WILLIAM A. MELGAR
Fisherman

STORIES OF CHANGE

OPPORTUNITIES FOR THE MOST DISADVANTAGED

Agriculture and fisheries are activities that generate most of the employment in rural areas of El Salvador. With the goal of improving the quality of life of hundreds of families living in those areas, this project sought to create economic opportunities for both productive sectors with growth potential. Financial and enterprise development services as well as access to basic services such as reliable electricity and clean water were facilitated to these productive groups at the base of the pyramid.

Fishing is the main income-earning activity for William Alexander Melgar. This young man is the manager of the Municipal Fish Products Storage Center at El Cuco Beach in Chirilagua (San Miguel), a coastal region of El Salvador. Before the start of this project, the fishermen did not have enough equipment to go fishing and capture a sufficient variety of species. In addition, they had problems controlling prices when they sold their fish to middlemen. "We had no freezers and therefore could not store the fish to sell at better prices. Since we had no negotiating skills, we were forced to sell at the price fixed by the middlemen," Melgar explains.

The project helped 500 rural families to improve their market access conditions. Nine initiatives were chosen from 106 proposals, and \$1.3mm was invested in these initiatives through the MIF Social Entrepreneurship Program. The projects were selected based on eligibility criteria related to their direct impact on poor and marginalized groups lacking access to financial services, entrepreneurial development, and other basic services needed to make a decent living. Also taken into account was the ability to generate employment, as well as the demonstrated capacity to generate enough income from activities financed thereby ensuring sustainability.

Héctor Iván Borja, the Project Coordinator, points to the global impact that this project has had on the nine communities where it was implemented. "The projects have generated an economic impact in the communities, and also promoted innovation and corporate social responsibility between beneficiaries."

FACTS AND STATISTICS

- ▶ The project has benefited nine initiatives and 500 families in various rural areas of El Salvador.
- ▶ Farmers and fishermen have received training in food handling, good practices, and marketing.
- ▶ Beneficiaries have seen an improvement in their access to basic services, especially electricity and potable water.
- ▶ A high percentage of the project's beneficiaries have been women.



STORIES OF CHANGE

WOMEN PUTTING REMITTANCES TO WORK

Hundreds of thousands of Dominicans depend on the money they receive from relatives living abroad. A MIF project shows how offering a variety of financial services that are complementary to remittance transfers has changed the lives of women by helping them to develop their own businesses.

“The objective of the project is to ensure that remittances are not just used for consumption, but that these funds are redirected towards productive projects, savings and investment in local businesses,” explains Mercedes Canalda, Vice President of Adopem Savings and Loan Bank, a financial institution that is implementing the MIF project. Adapting financial products and services to the needs of remittance recipients not only helps to bring them into the formal financial system, but also ultimately improves their quality of life and promotes the country’s economic development.

Lauteria López, a beneficiary of the MIF project and owner of a vegetable stall, explains, “We were able to grow our business thanks to remittances and loans. We used to sell on the street and now, our goal is to buy a stand so that we can expand our business.” López is representative of a many MIF-Adopem project beneficiaries: women who are often single heads of household with little financial knowledge and very little training. In fact, a large number of women participating in the project had never had access to credit before.

“The loans are being managed jointly with preestablished savings plans. Every client who pays their loan and interest also saves, so that there is greater incentive for these women to become responsible with their financial obligations,” says Canalda.

FACTS AND STATISTICS

- ▶ The project benefits low-income women in the Dominican Republic.
- ▶ More than 500 such women have been provided with access to new financial services and products.
- ▶ Specific financial products have been designed for the program, such as a health card, life and accident insurance, home loans, a savings plan for vacations, a savings plan for school, and a product providing business start-up capital.
- ▶ 3,694 people have received training in business development, banking products, employment creation, finance, customer service, and human and community development.





LAUTARIA LÓPEZ
Owner of a vegetable stall

KNOWLEDGE FOR LAC: PUBLICATIONS & EVENTS

January

Haiti Civil Society Organization Portal

The MIF and the United Nations Office of the Special Envoy for Haiti launched the Haiti Civil Society Organization (CSO) Portal. The portal's role is to facilitate information sharing among CSOs operating in Haiti in regard to their activities, current status, and needs. More than 400 organizations have uploaded their profiles in the online directory while posting on needs and CSO relief and recovery efforts.



February

Geotourism Summit. Partners for Sustainable Tourism: Sharing a Market, Sharing a Commitment

The MIF, in partnership with the National Geographic Society and Ashoka's Changemakers, hosted the Geotourism Summit to promote new business ideas for tourism in Latin America and the Caribbean with a focus on public-private partnerships. Participants shared their views on five strategic areas related to the development of tourism and management of sustainable tourism destinations.



March

Remittances to Latin America and the Caribbean in 2009: The Impact of the Global Financial Crisis

Remittance flows to countries in Latin America and the Caribbean, taken as a whole, started to stabilize in the last quarter of 2009. This annual report on remittances is the main source of knowledge available on remittances flows, and it is indispensable for informed decision making at the level of governments and the private sector, as well as at the level of consumers.



April

A Business to Call Her Own: Identifying, Analyzing and Overcoming Constraints to Women's Small Businesses in Latin America and the Caribbean

This study provides an overview of the status of women's businesses, focusing on microenterprises. Through a series of case studies, it explores the differences between men's and women's businesses in six countries in the region and the main barriers women face as they start and grow their businesses.



May

RemesAmericas 2010: Remittances for the Future

This event, hosted by the MIF in Mexico, provided a venue for industry leaders to exchange lessons learned and successful experiences from projects implemented in remittances and banking the unbanked over the past 10 years in Latin America and the Caribbean. In addition, it explored the future of the money transfer business by highlighting new areas for intervention, culminating in a debate on the future of innovations in technological solutions for remittances in the Region and beyond.



June

Technologies for Financial Inclusion Program

More than 420 ideas were presented in the first call of this program that seeks to test and implement technologies that help extend the reach and improve the effectiveness of financial services for microenterprises and low-income households in Latin America and the Caribbean. During 2010, the Program provided funding to five ideas that will benefit more than 350,000 microenterprises and low-income households.



July

Launch of "Kombite FOMIN entre nous," MIF Haiti Community of Practice

The MIF launched "Kombite FOMIN entre nous" (the name mixes Creole and French and reflects the diversity of the MIF Haiti Community of Practice), gathering 21 institutional partners ranging from microfinance institutions, agribusiness MSMEs, nongovernmental organizations and garment and tourism associations, fostering their ability to connect, share knowledge, and forge new partnerships.



August

2010 MIF Photo Contest: Small Big Pictures

There is no more powerful message than an image. The more than 500 pictures entered in the MIF's photo contest showed how entrepreneurial women and men deal with their daily problems in regard to access to economic opportunity and how they overcome those difficulties, becoming success stories that inspire others in the region.



September

Microfinance Americas: The Top 100

The 2010 edition featured the best microfinance institutions in Latin America and the Caribbean. The ranking combined multiple measures of microfinance performance (outreach, efficiency, and transparency) utilizing a well-known and standardized methodology. It showed that, even in the wake of an international financial crisis, microfinance in the region continued to excel with growing portfolios.



October

FOROMIC 2010: Inter-American Forum on Microenterprise

FOROMIC is the largest regional event in the microfinance and microenterprise development industry. This year the event focused on topics such as technology and microfinance, innovative solutions for microenterprise producers, and new developments in social performance for microfinance institutions. More than 1,200 participants from 39 countries attended the event.



Global Microscope on the Microfinance Business Environment 2010

The Microscope is a tool that provides rankings of and a set of benchmarks on the microfinance business environment from which cross-national comparisons can be drawn. The Global Microscope 2010 offered an in-depth analysis of the microfinance business environment in 54 countries. The index that underlies this report allows countries and regions to be compared across three broad categories: regulatory framework, institutional development, and investment climate.



November

Infrascope 2010: Evaluating the Environment for Public-Private Partnerships in Latin America and the Caribbean

The Infrascope is an interactive learning tool and benchmarking index that analyzes capacity for public-private partnerships in 19 countries in Latin America and the Caribbean. Assessing the laws, regulations, institutions, and practices that affect the environment for PPPs, the study evaluates these conditions alongside the rate and quality of PPP project development in the region.



December

Launch of an Open Source-Based Platform for MIF Communities of Practice

The MIF launched a new open source-based online platform for its communities of practice at both country and thematic levels. Communities of practice enable the MIF to learn first hand about its partners' priorities, spot areas of opportunity, address common concerns, and streamline administrative procedures. It is also an excellent way for partners at different stages of the project cycle to help each other by sharing knowledge.





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Small big pictures.

MULTILATERAL INVESTMENT FUND

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