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# IMPROVING ACCESS TO FINANCIAL SERVICES PROJECT

PROJECT WORK PLAN YEAR I

DECEMBER 21, 2011 – SEPTEMBER 30, 2012

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# Improving Access to Financial Services Project

PROJECT WORK PLAN YEAR I

DECEMBER 21, 2011-SEPTEMBER 30, 2012

Contracted under AID-519-C-12-00001

USAID Improving Access to Financial Services Project in El Salvador

## **DISCLAIMER**

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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## ABBREVIATIONS

AMC	The Cooperative Society of Savings and Loans – a Non-Bank Financial Inst.
ASOMI	The Association of Microfinance Institutions of El Salvador
COP	Chief of Party of the Improving Access to Financial Services Project
COTR	Contracting Office Technical Representative
GBSI	Global Business Solutions, Inc. – Prime Contractor
MOU	Memorandum of Understanding
MSEs	Micro and Small Enterprises
NBFIs	Non-Bank Financial Institutions
OTA	Office of Technical Assistance of the U.S. Treasury
SFS	Superintendency of the Financial System
STTA	Short-term Technical Assistance
UNDP	United Nations Development Project
Weidemann	Weidemann Associations, Inc. – Sub-Contractor

## WORK PLAN SUMMARY

The USAID Improving Access to Financial Services Project seeks to facilitate and increase inclusive and equitable access to financial services for MSEs for their economic activities and to coordinate with efforts to promote an enabling environment for financing MSEs. Its activities are specifically designed to increase the number and volume of productive loans to small and microbusinesses. To this end, the team of GBSI and Weidemann will create, promote and implement practical and innovative solutions to address and overcome obstacles to the flow of financial services for MSEs. This contract will also strengthen organizations to support the system with stronger and sustainable players to confront the increased risk in the economy and take into account the specific needs of MSEs.

The Project will contribute to the accomplishment of the USAID/El Salvador's Mission Strategic Objective "Economic Freedom: Open, Diversified, and Expanding Economies," through Intermediate Result No. 3 "Broader Access to Financial Markets and Services" by creating an enabling environment and increasing the capacity of Non-Bank Financial Institutions to provide appropriate and permanent services for MSEs. It will also orient all strategies to be consistent with the objectives and goals delineated in the Partnership for Growth agreement between El Salvador and the United States.

This Work Plan presents the GBSI Team implementation orientation and philosophy and presents several examples of this orientation in action during the first year of operations (December 21<sup>st</sup>, 2011 – September 30<sup>th</sup>, 2012).

## IMPLEMENTATION ORIENTATION AND PHILOSOPHY

In designing, implementing, and achieving institutional strengthening activities and supporting policy reforms, the GBSI Team will ensure that four key elements are present:

1. accurate market and technical analysis to generate appropriate recommendations;
2. robust methodologies and strategies to implement those recommendations;
3. creative and committed individuals and groups who understand the institutional and business landscape and who can address issues that affect MSE access to financial services, and
4. explicit targets and goals for measuring progress.

Furthermore, the GBSI Team will prioritize interventions based on likelihood of success, cost effectiveness, breadth and depth of the potential impact including on women and the disabled, and the level of support for the activity among stakeholders. We will coordinate with local and international actors to leverage resources and will incorporate cost-sharing — in-cash or in-kind — from local partners, both to stretch resources and to ensure buy-in. The team will transfer knowledge which local actors need to design and implement their own solutions. We will assist financial industry associations and federations in developing their capacity to advocate for positive changes to develop and implement effective training curricula for their members. In all activities, coordination, collaboration and effective communication will be paramount.

## WORK PLAN ACTIVITIES

### Office Installation and Start Up

The COP will arrive in country as soon as country clearance is obtained and will initiate the process of registering GBSI/the Project with local authorities. GBSI will be formally registered within El Salvador by April 30<sup>th</sup>, 2012.

In addition to the COP, the local office will employ an Administrator/Accountant and a Monitoring & Evaluation/Training specialist. Interviews will take place and individuals will have been selected and approved by USAID by April 15<sup>th</sup>, 2012. The Administrator will assume responsibility for identifying office space and securing office equipment. The lease contract for office space and procurement of office equipment is dependent upon securing for the Project a tax identification number (“NIT” from the Spanish terms). Although the target date for formal authorization of the GBSI-led project is April 30<sup>th</sup>, we intend to identify and equip the project’s office space throughout April, 2012, completing this process, save for minor procurements as needs are identified, by April 30<sup>th</sup>, 2012.

### Project Components

#### 1. Improve Enabling Environment

The GBSI Team will actively support the work of the representative of the U.S. Treasury’s Office of Technical Assistance (OTA) to coordinate analyses, strategies and proposals designed to create a business environment within El Salvador which supports private sector investment and the provision of financial services.

The COP and M&E Coordinator will complete a rapid assessment of issues affecting financial inclusion by April 30<sup>th</sup>. This assessment will inform strategies and plans for addressing barriers for increasing access to financial services. The assessment will encompass small and microenterprises as well as those affecting those populations experiencing deeper levels of poverty.

#### 2. Improve Performance of NBFIs

Three “Key Results Areas” dominate this component:

- a. Improve performance of financial institutions serving MSEs and strengthen them to be eligible to become regulated NBFIs;
- b. More financial products tailored and available to MSEs; and
- c. NBFIs staff capacity improved for delivering new products and methodologies for MSE financial services.

The GBSI Team’s approach is to implement a range of services that may focus on one or simultaneously more of these Key Results Areas. For example, within the first quarter of project implementation the team will conduct the “METAS” course, introducing an effective system for monitoring financial tendencies to regulatory and supervisory authorities together with senior executives of NBFIs. This activity is focused primarily on the first Key Results Area: Improve

performance of financial institutions serving MSEs and strengthen them to be eligible to become regulated NBFIs. At the same time it will serve to introduce regulatory and supervisory personnel to a more appropriate and effective way of assessing MSME financial institutional performance and begin to build a more mutually informed relationship between regulators, supervisors and financial institutions.

Based on more in depth institutional assessments the team will also offer technical assistance to selected NBFIs in order to strengthen their methodologies and products, risk management capabilities, and operational efficiencies. These demand-driven, short-term consultancies could encompass all three Key Results Areas. A preliminary list of short-term specialists includes the following: a commercial bank SME lending specialist, a microinsurance specialist, a specialist in developing Small and Microenterprise financial policy, a risk management specialist, mobile banking specialists – either to assist companies to develop profitable new products or to orient the Government regarding appropriate norms for this business activity, a micro-savings specialist as well as the possibility of calling on an information technology specialist. The determination of the actual specializations required locally and the Scope of Work of each consultant will be coordinated among the local entities and project counterparts.

The project will manage strategically the resources available for the STTA to ensure that each investment contributes directly to project targets as well as the over-all goal of increasing the volume of productive loans to small and micro enterprises. All STTA will be demand-driven, as indicated above, meaning that local counterparts will participate in the identification of constraints, will help to prioritize solutions and will participate in the identification of experienced, practical consultants. All STTA will require committed counterparts assigned to work closely with the consultants. To the extent possible, the work plans for the STTA will include training events consistent with the GBSI/WAI team's approach to transfer to the extent possible, technical capabilities to local counterparts. Explicit targets will be set with the participating institution(s) prior to the arrival of each consultant to ensure effective focus on the justification for the investment. The identification of STTA opportunities will be an on-going project activity.

The project will work closely with local counterparts to determine which new products offer the greatest opportunity to enhance financial inclusion in general and productive loans specifically. The strategic orientation is to ensure the sustainability and growth of each new product long after this project ends, so the market assessment will include an analysis of long-term funding options. The project design focuses on enhancing the safety & soundness of financial intermediaries and includes specifically preparing them for eventual supervision by the Superintendent of Banks (target: at least two NBFIs). This approach is consistent with the best alternative for securing long-term funding for the expansion of loan portfolios: local savings. Therefore, to ensure on-going growth of loan portfolios, the project team will explore and promote products which both apply resources (e.g. effective loan methodologies for small businesses) as well as those which secure resources (e.g. savings).

Finally, to complement the orientation above governing how the project will carry out its activities, the following describes what the project will *not* do: the project will not provide funds which cover the costs of training activities. Rather, it will identify local counterparts who will assume responsibility for organizing the event(s) and the project will provide the expertise with STTA or by using project personnel. This approach allows the project to reallocate scarce resources for more productive uses while simultaneously ensuring buy-in from local counterparts. The first example of

this implementation approach is the “METAS” course proposed for March 1<sup>st</sup> – 2<sup>nd</sup>, to be taught by the project’s COP. The project identified ASOMI as its counterpart; ASOMI will assume all responsibility for organizing the course including, in close coordination with the project, the marketing strategy to ensure the participation of those in which the Project is most interested.

The project will not provide lines of credit or other funds to NBFIs to fund the growth of their productive loan portfolio. Rather, the project team will identify counterparts interested in funding their own expansion propelled by targeted STTA.

Finally, the project will not provide resources to pay for software or fixed assets, nor will it fund international travel for program counterparts. Rather, where appropriate, the STTA will incorporate in its reporting the necessary financial projections which justify any investment required to establish a new branch, launch a new product, or enhance internal control systems.

To summarize, the project will support a business-led, demand-driven approach and will seek all opportunities to leverage project resources to meet project targets.

At this point in time, this Work Plan can describe the following specific examples of interventions currently being planned, presented using the format for our orientation and implementation philosophy described above. As activities and targets are defined with local counterparts, the work plan will be amended to reflect the new tasks.

## Mobile Banking

Creative entrepreneurs have merged the desire for financial inclusion with the ubiquity of cell phones to provide households throughout the national economic spectrum with access to financial services. Of particular interest is the experience in Kenya, where a telecoms company and a micro finance bank created an alliance which now, only a few short years following its implementation, allows 15 million Kenyans to manage money far more conveniently and at far less cost than previously. The following section describes how this project will address the potential opportunities of mobile banking within El Salvador

### *1. Accurate market and technical analysis to generate appropriate recommendations.*

According to a representative of the Central Bank, there exists private sector interest and capability for expanding mobile banking in El Salvador. This has been amply confirmed through meetings with senior executives of TIGO and the owners of a small technology company, SF-GLOBAL. The primary constraint at this point is the absence of an effective set of norms and regulatory rules under which these companies will operate. The Central Bank is interested in learning from the experiences of Mexico, Colombia, Paraguay and possibly other Latin American countries to apply best practices in El Salvador. The United Nations is promoting mobile banking in order to enhance housing loans for low-income households.

### *2. Robust methodologies and strategies to implement those recommendations.*

In close coordination with the UNDP, the Central Bank and the Superintendency of the Financial System (SFS), the project will carry out the following activities:

- To enhance the productivity of an upcoming UNDP-financed trip of regulators from El Salvador to a number of Latin American countries to learn from their experiences with



mobile banking, the Project will prepare and deliver to the travelers prior to their departure a comparative analysis of regulations and norms pertaining to mobile banking. The regulators are tentatively scheduled to initiate their trip on March 13<sup>th</sup>.

- Upon their return, the Project will provide to the team charged with preparing the regulations, short-term consultants to address specific technical areas identified by the Central Bank. Three such areas are norms to ensure informational security as the market turns increasingly to cell phones to make financial transactions, payment systems and effective approaches for the supervision of this service. It is expected that in addition to small-group technical discussions, each consultancy will incorporate training of local counterparts.
- The Project will bring to El Salvador an advisor to help the Central Bank and the SFS draft the regulations on mobile banking. This visit is expected to last two weeks and, according to a timeline established by the Central Bank, will be completed by June 30<sup>th</sup>, 2012. This timeline is dependent on many variables within the Central Bank itself.

To both husband and leverage Project resources, the Project team will seek alliances with other institutions with the potential to share a portion of the costs of the consultants sought to assist in the development of the norms and regulations.

3. *Creative and committed individuals and groups who understand the institutional and business landscape and who can address issues that affect MSE access to financial services.*

The design of the short-term consultancies has been coordinated with the Central Bank and the SFS. In particular, visits by technical specialists will demand that the local regulatory counterparts clear their agendas to be able to focus on the task at hand. The Central Bank and SFS agree with this approach.

4. *Specific targets and goals for measuring progress.*

A strategic element of the final report of the experts brought in to orient El Salvador will be to propose a list of targets for defining and monitoring the contribution this activity will make to financial inclusion throughout the country during the lifetime of this Project.

Following this intensive assistance provided to the Central Bank and the SFS, the expectation is that a set of norms and regulations will be prepared which will define how electronic banking will emerge in El Salvador. If it is determined during this time that a law is required, then the probability is that the development and approval of the law will not occur during the timeframe of this Project. Most Latin American countries have developed norms and regulations which restrict participation to regulated banks. The market impact of this design, to date, has been limited advances in favor of financial inclusion. The orientation for El Salvador is to generate approval for a set of norms and regulations which will allow the market to determine which services, from which providers, best suit their needs.

For all possible conclusions of these initial technical assistance activities, associated with Component 1 of the Services Contract, further direct support to the Central Bank about mobile banking is expected to be minimal to non-existent:

“...the US Treasury Department is entering into an agreement with the GOES to provide assistance in areas common to this project, including adoption of supervision by risk and development of laws pertaining to NBFIs [*Non Bank Financial Institutions*]. It is expected that the Contractor will attain the most profound and sustainable change through implementation of Component 2 activities. While it will certainly collaborate with Treasury OTA and keep abreast of its planned activities, very limited direct involvement in this technical sphere is foreseen.”<sup>1</sup>

That having been said, technical assistance activities *are* foreseen with those Project counterparts interested in exploring mobile banking as a means to extend the reach of the services they provide to their clients.

## The “Performance System”

An important goal of the Partnership for Growth agreement between El Salvador and the United States is to increase the number and volume of productive loans to small and micro businesses. To ensure the sustainability and continued growth of such loans long after this project ends, one strategy involves enhancing the productive, efficiency and safety & soundness of financial intermediaries, often NBFIs, which are already serving this market.

Occasionally, ineffective information systems within these NBFIs offer highly cost-effective opportunities to enhance efficiencies, safety & soundness and returns, simply by introducing a proven approach for rapidly distributing appropriate information to those within the organization most able to effect positive change: the branch managers. The “Performance System” is designed with this purpose in mind.

### *1. Accurate market and technical analysis to generate appropriate recommendations.*

Initial data indicate that regulated banks manage approximately \$8 billion in outstanding loans, non-bank yet supervised financial institutions manage another \$350 million, and significantly, unsupervised non-bank financial institutions (NBFIs) manage a further \$1 billion. Furthermore, the level of non-performing loans of unsupervised financial intermediaries is significantly higher than that of the supervised institutions. Given this market information, it is reasonable to argue for enhanced supervision of the NBFIs. The first step is to strengthen internal oversight of both Board members and senior executives.

As of the presentation of this work plan, the project has completed an analysis of the internal information system of one NBFI – the Cooperative Society of Savings and Loans “AMC” - and has made a recommendation to implement the “Performance System” to replace the current

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<sup>1</sup> Pp. 10-11 of the IAFS Contract

system. This recommendation has been included in the Letter of Understanding signed between the project and AMC. (See “Letter of Understanding” section below.) The project will continue to carry out similar assessments within other financial intermediaries to determine the appropriateness of the Performance System within their operations as well.

2. *Robust methodologies and strategies to implement those recommendations.*

The methodology and strategy presented below refers specifically to AMC; other approaches may emerge as additional intermediaries incorporate this information system.

The current information system within AMC takes 20 days to provide branch-level balance sheets and income statements to the branch managers, along with a series of trend lines. The branch managers are then expected to convert these statements into ratios which they will use to analyze the performance of their branch. The legitimate intent of this approach is to teach branch managers how to conduct effective trends analysis. Actual experience indicates that not all branch managers are carrying out these analytical functions.

The Performance System will institute the following: (i) reduce to 5 the number of days it takes to deliver reports to the branch managers; (ii) deliver to the branch managers reports which already contain the ratios they need to assess their results; (iii) the reports will allow for easy comparisons among branches as well as the trends for each branch. Every month, branch managers will know for each indicator if their branch is performing above or below average. They will also know how every other branch is performing.

The speed and transparency of this information generates a competitive cycle which lowers costs, enhances portfolio quality and improves over-all results. The system also facilitates monitoring on the part of senior managers and the Boards of Directors. The goal with AMC is to reduce the length of time for branch managers to receive monthly reports, from the current twenty days, to five days.

3. *Creative and committed individuals and groups who understand the institutional and business landscape and who can address issues that affect MSE access to financial services.*

In addition to the senior executives who make the decision to participate in initial test cases to demonstrate the impact of the “Performance System”, the branch managers themselves become highly committed as they see their results broadcast throughout their institution, and also become highly creative and motivated to increase their branch’s performance.

**NORMA 4-47**

**NORMAS PARA LA GESTIÓN INTEGRAL  
DE RIESGOS DE LAS ENTIDADES  
FINANCIERAS**

**CAPÍTULO IV**

**SISTEMAS DE INFORMACIÓN Y DE  
CONTROL**

***Sistemas de información gerencial***

**Art. 14.-** *La entidad deberá contar con un sistema de información gerencial y bases de datos estadísticas, que posibiliten la generación de información oportuna, confiable, consistente y homogénea que permitan elaborar reportes periódicos para la Junta Directiva, el Comité de Riesgos y la Alta Gerencia, así como para otros interesados responsables de la toma de decisiones en la gestión de riesgos.*

In the case of AMC, the Executive Director, the Chief Financial Officer and Chief Accountant are committed to implement this system.

4. *Specific targets and goals for measuring progress.*

This first year work plan will seek at least 3 NBFIs to test the “Performance System”. The NBFIs will be selected based on the current size of its loan portfolio allocated to productive loans, the number of branch offices it manages, the current status of its internal information system and its willingness to assign individuals who will be responsible for the success of the initiative. The GBSI Team will start promoting this opportunity through June of 2012. Once interested NBFIs are identified, the team will work with the IT employees and accountants within each organization to set up the chart of accounts and reporting format and will then participate in monitoring the subsequent reports with each NBFI. After monitoring one year of results, the GBSI Team will incorporate the results and lessons learned into a second “Special Report” called for under this project. The intent is for this report to motivate more financial intermediaries to implement the system and reap the subsequent benefits in productivity, efficiency, safety and profitability. This work with NBFIs is an important part of preparing them to qualify for licensing as a registered and supervised financial intermediary and is consistent with Chapter IV, Article 14 of Norm 4-47 covering the Integral Risk Management of Financial Intermediaries, as emitted by the Superintendency of the Financial System of El Salvador. (See text box previous page.)

## Letters of Understanding

Based on its assessment of the local market, the Project will seek out local partners for achieving Project targets. Letters of Understanding (LOUs) will be prepared to define the roles and responsibilities of the signatories, to define timeframes for activities and to establish explicit targets expected as a result of the identified activities.

The selection of counterparts will be influenced by (i) their current market presence in terms of assets, number of branches, the extent to which they already provide productive loans to small and micro enterprises, etc.; (ii) their growth plans in terms of expanding their outreach to productive borrowers; (iii) their level of commitment to ensure the success of Project support; (iv) their ability to replicate project activities through internal training capabilities; and (v) Project budget limitations, requiring a prioritization of Project resources to maximize impact.

Local counterparts are being identified and as of the presentation of this Work Plan, LOUs are in process to be signed with them:

**AMC** This microfinance institution, located in San Miguel, intends to present to the SFS its proposal to become a formally regulated financial intermediary. [*Ref. Project target of working with at least two organizations to prepare them to become formally regulated institutions.*] Three activities are envisioned: (i) support to extend their market outreach further out to the rural sector, reaching communities which currently have no access to any financial services; (ii) support to profitably manage micro savings ; and (iii) support to enhance their internal financial monitoring system. (Ref. section on “Performance System” above.)

The Project will provide STTA for attracting and managing micro savings accounts. In all cases, explicit targets will be established as a core element of all consultants' terms of reference.

The Project will provide assistance with AMC's internal financial monitoring using capabilities within the Project team itself. Further opportunities to strengthen AMC may emerge during the process to become a formally regulated financial intermediary.

The LOU will be signed by March 15 2012 and will include the task of defining explicit timeframes and projected results for each specific activity.

#### **ENLACE**

This microfinance institution, with a head office in Santa Tecla, intends to present to the SFS its proposal to become a formally regulated financial intermediary. *[Ref. Project target of working with at least two organizations to prepare them to become formally regulated institutions.]* A concern is that it is the only institution offering a solidarity group methodology, so this presents a unique opportunity for the Project as it works with the SFS. Three activities are envisioned: (i) support to solidify and expand initial efforts to add larger individual loans to enterprises, (ii) support to profitably offer micro insurance products; and (iii) support to enhance their internal financial monitoring system. (Ref. section on "Performance System" above.) The Project will provide STTA to address the requests regarding individual loans and insurance products. The Project will provide assistance with Enlace's internal financial monitoring using capabilities within the Project team itself. Additional activities may be added prior to the formalization of the Letter of Understanding, expected to be signed by April 30<sup>th</sup>, 2012

#### **ACCOVI**

ACCOVI is Central America's first credit union to be supervised directly by the Superintendency of the Financial System. As such, the Project's engagement with ACCOVI communicates to all credit unions within El Salvador that this is a growth and institutional development strategy which the Project supports.

During April and May of 2012 the Project will work with ACCOVI to determine the contents of its Letter of Understanding. Initial indications are that ACCOVI will request support oriented towards institutional strengthening. Specifically, activities include: (i) support with marketing activities, including the development of a Marketing Department; (ii) strengthening of its Risk Unit in accordance with SFS requirements; and (iii) delinquency management. Furthermore, as with the previous institutions, the Project will work with ACCOVI management to enhance its management information systems, emphasizing the importance of quickly-delivered branch-level reports. By May 30<sup>th</sup> the Letter of Understanding should be signed.

**FINCA**

FINCA, with its head office in San Salvador, has a long and varied history in El Salvador. As of the first quarter of 2012, its senior management team is brand new and most of the next level of managers has been with the organization less than one year. This institutional situation introduces a new series of challenges and opportunities for the Project.

FINCA wishes to prepare itself to become a fully regulated financial intermediary. The Project will be able to support FINCA with this goal, although other institutional development activities may be contemplated as preliminary steps, including an institutional diagnosis carried out by FINCA itself, the results of which may influence Project activities.

The Project will carry out a separate institutional assessment of FINCA from the perspective of the SFS. That is, it will analyze the current set of procedures within FINCA to establish an inventory of changes, adjustments or additions to its operational structure that should be implemented prior to any submission to the SFS. The results of this assessment, as above, may affect the priorities of the Project support.

As with other Project-supported institutions, FINCA will work with the Project to implement a branch-based management information system. This system is designed to enhance the capability of branch managers and senior executives to make decisions to enhance efficiencies, asset quality and returns.

Finally, the Project will explore, with FINCA executives, possible new product opportunities. Of greatest interest at present is a line of credit for agricultural loans and voluntary insurance products to complement the current obligatory life insurance all borrowers must purchase. As with all Project partners, targets will be established and results measured against these projections. The estimated date for signing the Letter of Understanding with FINCA is May 15<sup>th</sup>.

**Integral**

Integral is a regulated microfinance institution. It has approximately \$70 million in assets and 35,000 microenterprise borrowers.

Integral has a substantial list of requests for the Project, but by far the most significant one involves helping it to convert savings into its primary source of funds. This is of particular interest because it began capturing savings only in December of 2011, and one person did this from the head office, who was hired for this purpose.

The Project will help Integral introduce savings into its branch offices, an activity which will have a profound effect on institutional practice and culture. However, it is a crucial step for Integral to emerge as a true financial intermediary in addition to reaching far more poor households from the save communities in which it offers loans.

Additional requests include support for electronic transactions, enhancing its product for small businesses, as well as a re-design of its current information system for branch managers to enhance its capacity to generate improved results.

The Project will work with Integral to prioritize these activities and will sign the Letter of Understanding by May 15<sup>th</sup>, 2012.

The institutions above represent a number of geographic areas, target populations and institutional opportunities and challenges. Three additional organizations will be identified by June 30, 2012 and all Letters of Understanding should be secured by July 15<sup>th</sup>, 2012.

## Performance Monitoring

The Project will manage two levels of performance monitoring. The first level will consist of contract-defined targets; the second level will add a wide range of additional targets based on the Letters of Understanding and mutual agreement between the Project and its partner implementing institutions.

The structure and rationale of level 1 project targets are described in detail in the Project's Monitoring Plan. A summary of these targets is presented in the table on the following page.\

Note that this work plan proposes an increase in the target referring to strengthening the legal and regulatory framework for the financial sector. The contract-defined target is to train 80 financial staff from regulatory and supervisory bodies. This document proposes a life of project target of 160 regulatory staff trained.

Every potential project implementing partner will receive an orientation from the Project about the importance of establishing targets up front and then monitoring results monthly. This performance monitoring simply reflects standard business operations and should not burden implementing partners with additional costs. To establish Project-related goals, institutional data from at least the most recent six month period will be gathered in order to establish a baseline for each target. This recent trend will be projected forward to establish future baseline against which to compare Project impact.

Targets will vary by implementing partner and will reflect the type of activities to be conducted with Project support. As targets are established, the Project will present to USAID the agreed-upon targets and the baselines for each. Quarterly reports will include both level 1 and level 2 targets.

<b>KRA 1.1 – Improve the enabling regulatory and supervisory environment for MSEs</b>				
<b>1.1: Number of Regulatory and Supervisory Staff trained with USG Assistance</b>				
Regulators and Supervisors trained	Year 1	Year 2	Year 3	TOTAL
	140	20	0	160
<b>KRA 2.1: Improve performance of financial institutions serving MSEs and strengthen them to be eligible to become regulated</b>				
<b>2.1.1: Number of MFIs strengthened through MASF training, technical assistance and improved technology</b>				
MFIs and NGOs	Year 1	Year 2	Year 3	TOTAL
	3	5	0	8
<b>2.1.2: Number of microfinance organizations in compliance with requirements necessary for licensing and oversight</b>				
MFIs and NGOs	Year 1	Year 2	Year 3	TOTAL
	0	2	0	2
<b>2.1.3: Increase in Partner MFI Investments</b>				
Trends in institutional equity as an indicator of financial strength	Year 1	Year 2	Year 3	TOTAL
	TBD with each partner institution	TBD with each partner institution	TBD with each partner institution	TBD with each partner institution
<b>KRA 2.2: More financial products tailored and available to MSEs</b>				
<b>2.2.1: Number of microfinance organization and association staff trained in improved/new MSE methodologies and products</b>				
Organization, association, gender, methodology, and product	Year 1	Year 2	Year 3	TOTAL
	50 (40% Women)	200 (40% Women)	50 (40% Women)	300 (40% Women)
<b>2.2.2: Number of new or improved financial products or instruments used by MSEs</b>				
Loan, savings, micro-insurance, mobile banking, remittances, other	Year 1	Year 2	Year 3	TOTAL
	0	2	0	2
<b>KRA 2.3: MFI staff capacity improved for delivering new products and methodologies for MSE financial services</b>				
<b>2.3.1: Number of new borrowers from USG-assisted microfinance institutions</b>				
Industry, MFI, NGO, micro/small business, gender, persons with disabilities, urban/rural	Year 1	Year 2	Year 3	TOTAL
	50 (70% rural; 65% women; 25% < \$400)	450 (70% rural; 65% women; 25% < \$400)	300 (70% rural; 65% women; 25% < \$400)	800 (70% rural; 65% women; 25% < \$400)



## Reporting

### Work Plan

This document represents the GBSI Team work plan for fiscal year 1 of project activities. A similar document for Year 2 will be presented to USAID for approval in September of 2012.

### Weekly Reports

A bullet-point summary of activities, achievements, events and issues pertaining to program implementation and progress, will be presented to the USAID COTR each week. When appropriate, these reports will be accompanied by relevant information in the USAID “Events Calendar” table to alert the USAID COTR of upcoming events which might provide opportunities for USAID to showcase its activities within El Salvador.

### Quarterly Technical Reports

The Project Team will deliver to USAID quarterly reports within 30 days of the end of each quarter, using USAID’s fiscal year of October – September. These reports will describe activities implemented to achieve project deliverables and will highlight progress towards established targets.

Given that the effective date of this contract with GBSI was signed on December 21<sup>st</sup> and the COP did not arrive in country until the first days of the second quarter of USAID’s fiscal year (January 8<sup>th</sup>, 2012) first quarterly technical report from this project will be presented to USAID on or before April 30<sup>th</sup>. All future quarterly technical reports will be presented to USAID within thirty days following the end of each quarter.

### Reports from Short-Term Consultants

The Scope of Work of all short-term consultants will include the need to generate a report detailing findings and recommendations, or will include a written deliverable based on the activities to be performed.

### Special Reports

Three Special Reports are called for in this Project and the GBSI Team will apply the same orientation and philosophy to identify a topic of interest to El Salvador. One Special Report is expected to relate the impact on financial and operational efficiencies, of the Performance System.

### Project Monitoring Plan

The Project, due to its size, does not qualify for an evaluation. Therefore, rather than refer to a Project Monitoring and Evaluation Plan, this section refers solely to the Monitoring Plan. The performance Monitoring Plan (PMP) will be developed and implemented by IAFS monitoring and evaluation specialist in coordination with the COP, as required under section E.3 of the program contract between Global Business Solutions, Inc. (GBSI) and USAID/El Salvador. PMP dateline is as April 30th 2012.

This plan will include a causal model that graphically describes the link between USAID mission's strategic objectives and the project technical activities, and how these activities will impact the microfinance sector and the partner MFIs and their clients.

An important part of the plan is the detailed description of indicators, to be used throughout the project life, showing their rationale, data source, method of measurement and overall project targets. Performance Indicator reference sheets are included in compliance with USAID requirements.

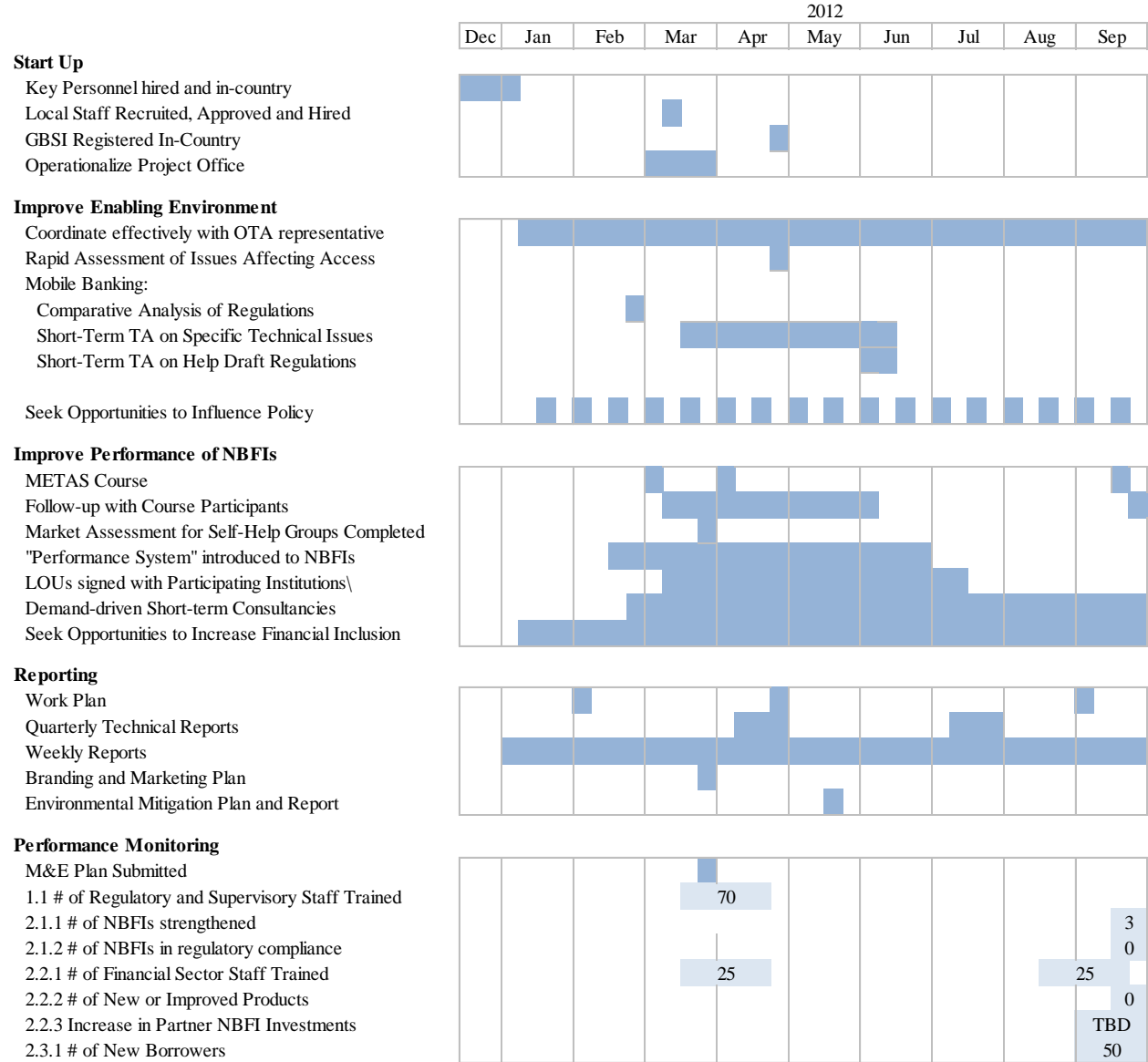
### **Branding and Marketing Plan**

The GBSI Team will present a Branding and Marketing Plan to USAID for its approval by March 31<sup>st</sup>, 2012. It is the intent of this project to seek opportunities to highlight in local media USAID's activities in support of the economic development of El Salvador. Proper coordination and orientation with USAID, therefore, will be sought to ensure the appropriateness of this Branding and Marketing Plan.

### **Environmental Mitigation Plan and Report**

This Plan and Report will be presented to USAID by May 30<sup>th</sup>, 2012. Given the training and technical assistance activities envisioned under this project, environmental concerns are expected to be minimal.

## Annex A: Year I Work Plan, Calendar of Activities



## Annex B: Estimated Annual Work Plan Budget FY2012

	Q2	Q3	Q4	FY 1
Labor	\$35,392	\$45,045	\$45,045	\$160,874
Fringe Benefits and Allowances	\$24,647	\$31,368	\$31,368	\$112,030
Other Direct Costs	\$11,336	\$14,428	\$14,428	\$51,530
Subcontract *	\$91,636	\$116,628	\$116,628	\$416,527
Indirect Costs	\$41,389	\$52,677	\$52,677	\$188,130
Total Estimated Costs	\$204,400	\$260,146	\$260,146	\$929,091
Fixed Fee	\$7,330	\$9,329	\$9,329	\$33,317
Total Estimated Costs + Fixed Fee	\$211,730	\$269,474	\$269,474	\$962,408

\* Subcontract through September, 2012 includes Labor (\$168,845) and Other Direct Costs (\$101,157)