USAID IMPROVING ACCESS TO FINANCIAL SERVICES PROJECT

ANNUAL PERFORMANCE REPORT II

October 1, 2012 – September 30, 2013

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USAID Improving Access to Financial Services Project

ANNUAL PERFORMANCE REPORT II:
October 1, 2012 – September 30, 2013

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TABLE OF CONTENTS

ABBREVIATIONS

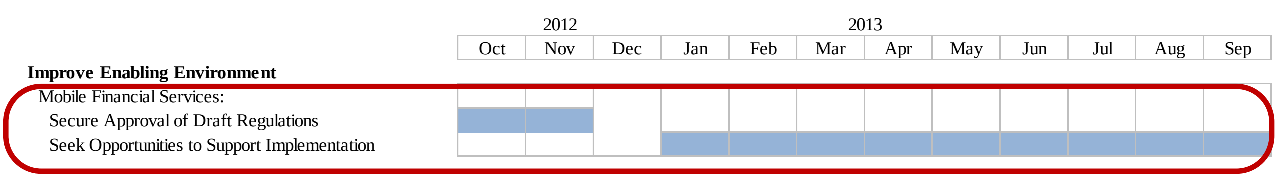
ABANSA	Asociación Bancaria Salvadoreña.
ACACU	Asociación Cooperativa de Ahorro y Crédito de la Unión de Responsabilidad Limitada
ACACCIBA	Cooperativa Financiera ACACCIBA DE R.L
AMC	Adel Morazán Créditos de Responsabilidad Limitada
ASEI	Asociación Salvadoreña de Extensionistas del INCAE
ASOMI	Asociación de Organizaciones de Microfinanzas
BCR	Banco Central de Reserva de El Salvador
CRB	Central Reserve Bank
COP	Chief of Party of the USAID Improving Access to Financial Services Project
COR	Contracting Office Representative
ENLACE	Servicios Financieros ENLACE S.A de C.V
EQUIFAX	Private sector credit bureau
FEDECACES	Federation of Salvadoran Credit Unions
FEDECREDITO	Federación de Cajas de Crédito y de Bancos de los Trabajadores.
FINCA	Asociación de Fomento Integral Comunitaria de El Salvador.
FUNDACIÓN CAMPO	Microfinance Institution
FUNDAMICRO	Fundación de Capacitación y Asesoría en Microfinanzas
GBSI	Global Business Solutions, Inc. – Prime Contractor
INTEGRAL	Sociedad de ahorro y Crédito, Apoyo INTEGRAL, de S.A
LOU	Letter of Understanding
MIDO	Mobile Financial Services Technology Firm
MSEs	Micro and Small Enterprises
NBFIs	Non-Bank Financial Institutions
OTA	Office of Technical Assistance of the U.S. Treasury
SEEP Network	International Network of Microfinance Institutions
SFS	Superintendency of the Financial System
SIHUACCOP	Cooperativa SIHUACCOP DE R.L
STTA	Short-term Technical Assistance
Weidemann	Weidemann Associates, Inc. – Sub-Contractor

EXECUTIVE SUMMARY

The USAID Improving Access to Financial Services Project (*"The Project"*) has achieved the following between the Fiscal Year II months of October 1st, 2012 – September 30th, 2013:

1. Exceeded the target of regulators and supervisors trained.
2. Exceeded the target of institutions strengthened.
3. Exceeded the target of MFI staff trained (by a considerable margin).
4. Exceeded the number of new products introduced (more than double the required number).
5. Exceeded the targets of new borrowers and new savers (by a considerable margin).
6. Brought one non-bank financial institution into full compliance with supervisory norms and influenced substantially the orientation of the Superintendency of the Financial System to bring far more institutions under its supervision.
7. Due to disciplined cost management, more than $100,000 of indirect costs were transferred to direct, technical assistance activities.
8. Cumulative Project expenditures for Fiscal Year II were within four percent of the projected budget.

During this same period, the Project was unable to secure approval of the draft legislation authorizing mobile financial services which Project consultants had developed in close coordination with the Central Reserve Bank and the Superintendency of the Financial System. As a result, the Project was unable to implement, as presented in our Year II Work Plan, a potentially very wide range of implementation opportunities with Project partners to take good advantage of mobile financial services to the benefit of micro and small businesspeople throughout El Salvador.



At the time of preparing this report, indications are that the *Anteproyecto de Ley de Inclusión Financiera* is about to be approved. This will represent a major Project success which will significantly benefit El Salvador for many years to come. Since the Project is scheduled to end in April 2014, however, the opportunities to jumpstart mobile financial services via Project institutional partners will be missed.

The table on the following page summarizes Project deliverables and results to date:

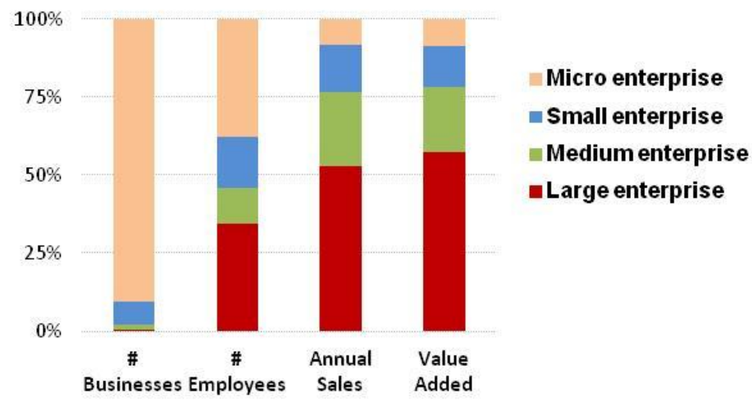
Indicator	Deliverable		Result
	Contract	*Project Proposed*	
Regulators and Supervisors Trained (disaggregated by sex)	60	240	**243 (38.7% Women)**
MFIs strengthened	8		**9**
MFIs in compliance with SSF	2		**1**
Increase in MFI equity as indicator of institutional strengthening	0		*Pending as per M&E Plan*
Number of MFI staff trained in improved MSE methodologies and products (40% women)	300	700	**947 (47.9% Women)**
Number of New Products or instruments used by MSEs	2		**5**
Number of New Borrowers (65% women)	800	3,200	**6,987 (67% Women)**
Number of New Savers (65% women)		800	**5,378 (58% Women)**

Deliverable surpassed

The Project sought no additional USAID budget resources as it increased significantly the three contract deliverables shown above and requested the addition of the final deliverable pertaining to savings. Project implementation policies frequently require substantial partner financial contributions; as per the implementation strategy described in the original implementation design. The Project has successfully applied these private sector policies to leverage USAID resources considerably and to good effect from its institutional partners.

I. INTRODUCTION TO THE USAID IMPROVING ACCESS TO FINANCIAL SERVICES PROJECT

Micro and small enterprises (MSEs) in El Salvador generate over 50 percent of employment nationwide and as such represent a critical business sector which warrants dedicated policies and initiatives to enhance its competitiveness. This means that more micro and small businesses should not only increase their current productivity but should also grow into medium and large businesses in the future.



Providing support to the country's micro and small enterprises is a pre-requisite for enhancing the national and international investment climate in El Salvador. Representing over 95 percent of the country's businesses and, micro and small enterprises require ready access to the financial services needed to increase their efficiencies, productivity and profits.

The USAID Improving Access to Financial Services Project ("Project") contributes to the accomplishment of the USAID/El Salvador's Mission Strategic Objective "Economic Freedom: Open, Diversified, and Expanding Economies," through Intermediate Result No. 2.1 "Business Enabling Environment Improved" by creating a positive enabling environment for business and increasing the capacity of Non-Bank Financial Institutions (NBFIs) to provide appropriate and permanent services for MSEs. It also orients all strategies to be consistent with the objectives and goals delineated in the Partnership for Growth agreement between El Salvador and the United States. There is little question that to encourage greater investment volumes in El Salvador, particularly in large, internationally-focused companies, it is imperative to ensure a properly functioning, well-funded micro and small business sector operating within a supportive political and legal environment. This is a major focus of the Project:

1. Identify a number of Non-Bank Financial Institutions interested in attending the needs of productive micro and small enterprises;
2. Provide assistance to these institutions to strengthen their operating systems, broaden their product lines and deepen their capacity for effective and timely financial analysis aimed to enhance institutional performance;
3. Encourage *all* NBFIs to seek the supervision of the Superintendency of the Financial System (SFS) as a necessary step for seeking further investments, both national and international, and to encourage SFS policies designed to broaden the perimeter of its supervision to include a greater number of currently-unsupervised NBFIs.
4. Support the SFS itself to ensure appropriate and effective supervision of NBFIs;

Additionally, consistent with the orientation of the *USAID Forward* initiative, the Project provides extensive support to the Central Reserve Bank (CRB) and the SFS for promoting financial inclusion via the development of mobile financial services. As was presented in the previous annual report, the Project was singularly successful in orienting the BCR and SFS towards a market-driven, institutionally neutral set of regulations aimed at promoting widespread and rapid use of mobile financial services. With the anticipated approval of the corresponding law, the Project also focuses on financial education to ensure a positive impact as hundreds of thousands of lower-income households find themselves with access to new financial services including not only savings and loans but also the ability to facilitate day-to-day transactions more quickly and at lower cost.

II. Project Activities Carried Out During Fiscal Year II

A. Component 1: Improvement of the enabling regulatory and supervisory environment for MSEs

The Project contract document contains two explicit deliverables for this first component:

- Number of regulatory and supervisory staff trained; and
- NBFIs in compliance with SFS norms and regulations.

During Fiscal Year II, the Project continued supporting the authorization of mobile financial services, and broadened its activities to include support for financial education and the SFS's strategic plan, which specifically references its desire to broaden the perimeter of its supervision to include deposit-taking institutions currently operating outside its supervisory protection. This last item will have a direct impact on the number of NBFIs in compliance with SFS norms and regulations.

The following section reports on (i) the number of regulatory and supervisory staff trained; (ii) Project activities to promote mobile financial services; and (iii) efforts to broaden the supervisory perimeter of the SFS so that more NBFIs are in compliance with SFS norms and regulations.

1. *Number of Regulatory and Supervisory Staff Trained*

As reported in the Project's first Annual Report covering the period December 2011 – September 2012, the original Project contract defined the following expected result:

Number of Regulatory and Supervisory Staff Trained		
Original Deliverable	*Project-Proposed Revised Deliverable*	*Project Result*
80	240	243

300% Increase

"At least 80 financial staff from regulatory and supervisory bodies trained with USG assistance in topics such as analysis, evaluation, and measurement of financial and operational risks, group lending, information sharing techniques and new products, mainly Mobile Banking."[1]

Because of higher demand on the part of the regulatory authorities in response to the quality and relevance of the training being provided, during Fiscal Year II the Project submitted to USAID a revised Monitoring and Evaluation Plan which increased the project deliverable from 80 to 240. This new deliverable was approved by USAID on December 5th, 2012 and surpassed during Fiscal Year II.

Three important initiatives emerged from these training activities: (i) draft regulations for mobile financial services; (ii) orientation to the SFS to broaden the perimeter of its supervision to currently un-supervised NBFIs; and; (iii) agreement with the CRB to expand the outreach of its Program of Financial Education.

Women Take Advantage of Mobile Financial Services

Marcelo Alemán, CEO of Tigo El Salvador, the business which offers Tigo Money, indicated that El Salvador [along with Kenya] also is generating success stories. Alemán indicated that women who sell via catalogues are taking good advantage of this service.

"These women deliver products, the payments for which occur 30 days later. This constant back-and-forth represents a cost to the women because they have to go by bus."

These women now use Tigo Money to collect and can also pay their suppliers over the cell phone.

"First, they save; second, they sell more because they don't have to spend as much time traveling back and forth. It is a success story for El Salvador", claimed Alemán.

Alemán explained that these services stimulate savings which eventually wind up in banks, thereby promoting "la bancarización".

La Prensa Gráfica, September 18, 2013, page 28

2. *Mobile Financial Services*

Fiscal Year I activities focused on designing a norm for introducing mobile financial services throughout El Salvador. As originally designed, the regulations would engender a major and sustained increase in financial inclusion, allowing low-income households everywhere to have access to financial services for the first time in their lives. The regulations were consistent with Project strategies and orientations in terms of a neutral, open, market-led, demand-driven model which would represent a model not only for Latin America but for developing countries worldwide.

Fiscal Year II activities focused on securing approval of mobile financial services, particularly in the face of technically dubious yet highly effective opposition on the part of the association of commercial banks (ABANSA). As of the writing of this report, the regulations have not yet been formally authorized yet cellphone company TIGO has nonetheless initiated a service offering mobile financial transactions throughout El Salvador.

[1] Global Business Solutions, Inc. contract, Page 11 of 50 pages

Following standard protocol, the CRB sought industry feedback of the proposal for mobile financial services, at which point ABANSA followed standard practice throughout Latin America and sought to eliminate this potential competition by opposing the proposal.

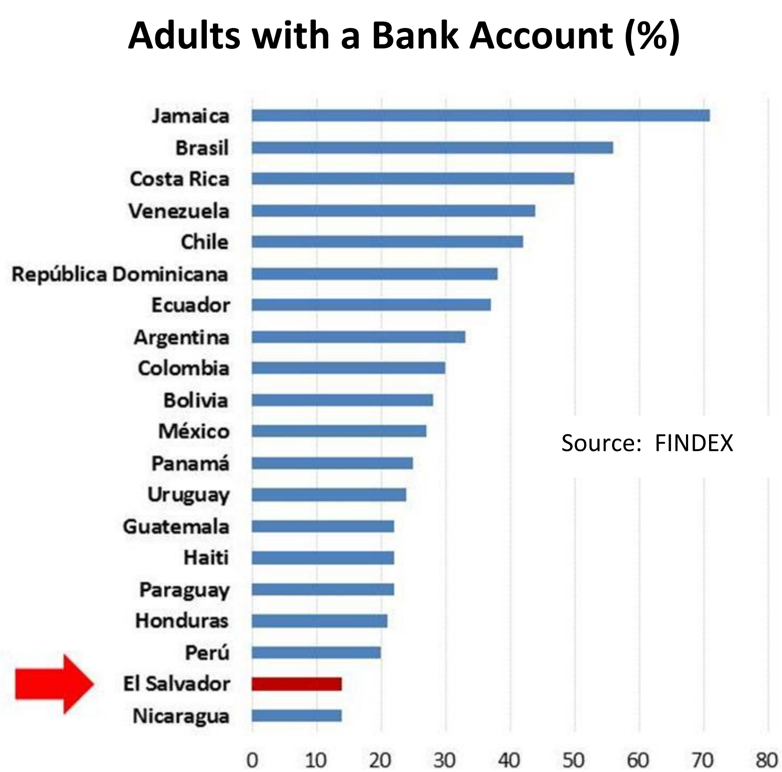
During the quarter October – December 2012, the Project, together with the ONUDI representative and the Project´s Contracting Office Representative Sandra Lorena Duarte, participated in two breakfast sessions with newspaper and television reporters to inform the public about the importance of financial inclusion. Presentations included the following information concerning the benefits of financial inclusion:

i. Financial inclusion offers the poor the possibility to save and obtain loans. This provides them with the ability to consolidate assets, invest in the education of their children and to invest in business projects;

ii. Financial inclusion protects poor households against economic calamities; and

iii. Financial inclusion reduces poverty and inequality within a country.

The chart below was also shared at these breakfast sessions:



The core message, successfully published in several newspaper articles, was that financial inclusion is important for any country and particularly for its poorer households, that Latin America is below the global average (50% financial inclusion) and indeed within Latin America and the Caribbean (39% average financial inclusion), El Salvador is at the very bottom of the country rankings in this important indicator.[2]

In January 2013 the President of the CRB, Carlos Acevedo, who had set the original target date of September 2012 for authorizing mobile financial services, stepped down from his post. On April 12th, 2013, Martha Evelyn de Rivera was sworn in as the new CRB President. This change in leadership impacted detrimentally the progress of efforts to seek authorization of mobile financial services.

As reported in the Project's Quarterly Report for the period April – June, 2013, the originally-designed norm evolved into the *Anteproyecto de Ley de Inclusión Financiera*. The purpose of this law was to clarify a section in the Banking Law which states that only banks are allowed to capture savings[3]: mobile financial transactions do not involve savings, as clarified in the proposed law. As observed in Africa, mobile financial transactions contribute to increased numbers of bank accounts on the part of those previously un-served, and this will indeed generate new savings within the banks, but the use of cellphones to effect financial transactions does not qualify as savings.

As of the writing of this report, it is still unclear whether or not mobile financial services will be approved by the national legislature.

3. *Broadening the Supervisory Perimeter*

A Project deliverable refers to ensuring that two NBFIs are ready, through Project assistance, to seek supervision by the SFS. In addition to working with specific NBFIs, during Fiscal Year II the Project has also developed strategies oriented towards changing the macro-conditions causing the reluctance on the part of many NBFIs to voluntarily seek supervision by the SFS: in many countries, being supervised by the bank regulator generally provides important benefits to the institution, not the least of which is greater credibility in the marketplace.

The following activities were undertaken during Fiscal Year II to orient all microfinance institutions towards increasing their institutional capacity by becoming supervised entities:

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[2] On October 1st, 2013[2] the newspaper *El Diario de Hoy* in its weekly Business and Economics section, published a special report highlighting the fact that El Salvador is in third place among Central America countries in terms of deposit accounts. However, the cause of this ranking is the number of non-bank financial institutions (credit unions and Cajas) in the country. Without these non-bank financial institutions, the article points out that when analyzing the level of deposits in commercial banks, expressed as a percentage of Gross Domestic Product as suggested by the Executive Director of ABANSA, El Salvador falls to next-to-last place again. In effect, the *El Diario* article emphasizes the importance of El Salvador's non-bank financial institutions. That is, those intermediaries with which this Project engages and strengthens.

[3] The position of ABANSA, the association of commercial bankers in El Salvador, was that only banks are legally authorized to capture savings and that the proposed norm therefor broke the law. If signed, their intent was to initiate legal proceedings to challenge the legality of the norm. A legal proceeding would carry with it a direct personal penal risk to the President of the Central Bank. Although both the Central Bank and the Superintendency had stated that mobile financial services do not represent savings, it would be the court which would make the eventual judgment on this technical issue of finance. To eliminate the risk of an unlikely although possible negative judgment, the Central Bank decided to forgo the norm and opt for the path of getting a law approved. The Central Bank knew all along that this option would take much longer and would carry with it other uncertainties, such as the orientation of the National Assembly vis-à-vis this proposal.

a. *"Gap Analysis"*

The "Gap Analysis" – deliberately placed within quotes since during the course of Fiscal Year II the Project started observing that NBFIs were starting to refer to this technical assistance specifically by this name – identifies variances between an institution's current set of policies and procedures versus those required by the SFS. Once the analysis has been completed, an extensive and very detailed, meeting – generally lasting approximately two hours – is held with the institution's entire board of directors to present the findings. During Fiscal Year II the Gap Analysis was conducted for ACACU, ENLACE, ACACSEMERSA and ACCACIBA. In FISCAL Year III a fourth credit union, COOP UNO will also receive this particular technical assistance from the Project.

Three important characteristics of this technical assistance are that it (i) clearly identifies what the institution must do to come into full compliance with all norms and regulations; (ii) raises board awareness of the full set of norms and regulations which govern the activities of supervised financial intermediaries; and (iii) quantifies the cost of closing the gap. Some of these norms affect the board members themselves: in one instance, certain board members did not qualify under the minimum age requirement. In all cases, board members become cognizant of their exposure to fines if certain required actions are neglected.

In terms of quantifying the cost of closing the gap between current and required norms and regulations, the table on the following page lists for each of the four institutions for which the *"Gap Analysis"* was conducted, the estimated costs of bringing each institution in compliance. It can be seen from the table that the decision to bring an institution into full compliance is a major one requiring significant amounts of time and money. For example, the Project worked with partner ACACU for nine months during Fiscal Year II to bring it into full compliance with SFS norms and regulations, with the final step occurring in September 2013 with the board's approval to bring the credit union´s loan loss provisions up to the level required by the SFS.

The *"Gap Analysis"* represents a major Project strategy for assisting the SFS to increase the number of institutions benefiting from its prudential supervision. In El Salvador, more than one billion U.S. dollars in savings have been deposited in unregulated credit unions and *Cajas*. During Fiscal Year II the SFS has mentioned the possibility of "delegated supervision", assigning to associations or federations the task of overseeing the prudential management of their members. This approach, however, generates a conflict of interest for the association: at times of crisis, will the association or federation defend the interests of its member, or of the SFS? And it is precisely in times of crisis that the importance of the SFS becomes most clearly evident. The *"Gap Analysis"* educates managers and boards about the policies and procedures expected of prudent, deposit-taking institutions, and it identifies the areas where the institution is deficient. This is a critical first step in educating institutions about the benefits of external supervision by the SFS.

	Inst. 1	Inst. 2	Inst. 3	Inst. 4	Inst. 5
IT System Adjustments	$250,000	$300,000	$200,000	$200,000	$120,000
Loan Loss Provisions	$0	$0	$115,000	$500,000	$480,000
Branch Office Reconditioning	$125,000	$250,000	$100,000	$150,000	$100,000
Updated Manuals	$25,000	$25,000	$25,000	$30,000	$20,000
New Personnel	$50,000	$50,000	$25,000	$50,000	$25,000
Staff Hours for Adjustments	$50,000	$50,000	$25,000	$25,000	$25,000
Training and Consultants	$45,000	$45,000	$30,000	$30,000	$35,000
Liquidity Reserve	$20,000	$20,000	$40,000	$10,000	$10,000
TOTAL	**$565,000**	**$740,000**	**$560,000**	**$995,000**	**$815,000**

b. Informational Technology Systems Audits

During Fiscal Year II, the Project encountered multiple issues pertaining to partner institutions' accounting systems. 90% of the systems required enhancements in order to comply with regulatory requirements, and most accounting systems were incapable of populating a database designed to enhance trend analyses on the part of branch managers.

As a result of this finding, the Project decided to complement the Gap Analysis with the offer of a simultaneous audit of the institution´s informational technology (IT) system, enabling the findings from both initiatives to be presented at one time to the board of directors. Given that many Project partners, as a consequence of Project analyses, are changing or upgrading their current accounting systems, a systems audit will be provided only to those which will be able to benefit from the subsequent document which will present in technical detail all that must be done to bring the IT system up to regulatory standards.

c. *Board Training in Regulatory Requirements*

The detailed technical meeting with the entire board of directors of each institution benefiting from the Project's *"Gap Analysis"* represents an important technical assistance event[4]. In addition, during Fiscal Year II the Project provided extensive, continuous board training to Project partners ASEI and the Fundación Campo to inform them about supervisory norms and regulations as well as institutional alternatives to provide a wider range of financial services to the communities being served. See Annex C lists the deliverables required of the Project

[4] The Project has defined a training event as having a minimum of 4 hours. As such, the Project has *not* included the participants in these important technical assistance activities within the deliverable of MFI staff and executives trained. Yet an important result of these special meetings is a full set of board members far more aware of regulatory requirements and the investment required to bring their institution into compliance.

	Indicator	Target
ASSOCIATION PERFORMANCE	**Membership and Representation**	
	Member satisfaction results	Increasing
	Member ratio (%)	100%
	Member coverage (%)	100%
	Association Financial Performance	
	Cost recovery ratio	100%
	Overhead ratio	15% - 20%
MEMBER RESULTS	**Member Performance**	
	No. of deposit-taking members	Increasing
	Deposit-taking members (%)	100%
	:	:
INDUSTRY QUALITY	Interest rate disclosure	100%
	Consumer Protection	100%
	Financial Transparency	100%

consultant hired to assist Fundación Campo to convert to a credit union capable of capturing savings in the same rural communities in which it currently operates. All of these elements involved board orientation and training.

d. Strategic Planning of the Microfinance Association – ASOMI

During the final quarter of Fiscal Year II, ASOMI approached the Project with a request to support the development of its next 5-year strategic plan, set to commence in November 2013. This request generated a new opportunity for the Project to orient all of ASOMI's current and future members towards financial supervision by the SFS.

The SEEP Network is a global network of North American-based NGOs working in the field of microfinance and country-level networks of microfinance institutions. In 2010, the SEEP Network sponsored an 18-month global effort on the part of the microfinance networks, to develop a set of indicators to be used to measure their success. Representatives of microfinance networks met regionally, then globally at two annual SEEP conferences, to discuss, debate and approve a set of indicators for themselves. This process was initially reported in the Project's Fiscal Year I Annual Report and efforts continued throughout Fiscal Year II to embed these SEEP indicators in the strategy of ASOMI.

Once the Project received ASOMI's request to support the development of their next five-year plan, the Project immediately agreed under the proviso that ASOMI's board of directors would orient the development of the strategic plan around the SEEP indicators. As can be seen in the partial list of indicators at left, two important indicators refer to the importance of capturing deposits: the number of its affiliates capturing savings should increase over time until it reaches the agreed-upon target of 100% of membership. The Project has emphasized that these are not Project indicators per se, although their orientation coincides with Project objectives; these are indicators developed by microfinance associations from around the world.

Agreement of such targets would represent a major change of focus for ASOMI and its membership since savings have not previously been a priority for the association or its members. Yet its global peers have concluded that this goal *is* important. It is relevant to note the consistency of the approach being proposed for ASOMI's strategic plan by the Project and the activities carried out with the SFS as well as the Gap Analysis methodology:

all lead to stronger institutions. The only way for ASOMI's members to approach the savings goals established by its global peers is to comply with SFS requirements and seek authorization to capture savings. With this strategic plan, the Project will contribute to the strengthening of every ASOMI member long after this Project ends.

As of the writing of this annual report, the board of directors is discussing the Project's offer to underwrite a portion of the costs to develop of its new strategic plan. The expectation is that they will decide to orient their new strategic plan around the SEEP indicators and by doing so, will enable the Project to support the move towards promoting the vision that *all* of ASOMI's members, in time, will be supervised, deposit-taking microfinance institutions.

Promoting Changes to Supervisory Policies

During Fiscal Year II the Project developed a very strong working relationship with the SFS, particularly following the Project´s key involvement in the SFS event involving the U.S. Ambassador. As a result, and in line with the SFS's efforts to move away from "supervision by compliance" in order to conduct "supervision of risk", the SFS accepted the Project´s orientation regarding opportunities to lower the costs of supervision while maintaining prudential standards for monitoring institutional performance. With this agreement, the Project proposed the development of a new web-page for the SFS's website which would provide ready access to summaries of all norms and regulations governing the activities of supervised financial intermediaries, including microfinance institutions. These summaries were developed throughout Fiscal Year II and were validated by SFS staff. Towards the conclusion of this effort, the Project and the SFS proceeded to develop together the design of the web-page which would present this information to interested microfinance executives.

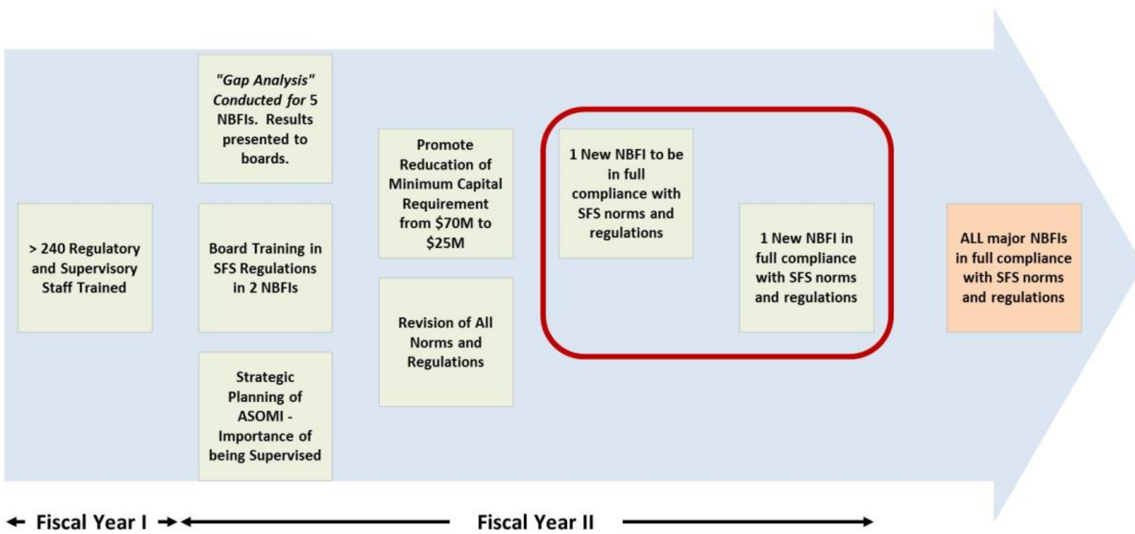
> *"Ecuador and El Salvador … registered lower points [in the regulatory assessment] due to the relatively high minimum capital requirements, among other restrictions."*
>
> ***Economics Intelligence Unit***
> ***Microscopio global sobre el entorno de negocios para las microfinanzas 2012,*** *p. 14*
> *Program translation*

Annex D presents the list of the more than 100 laws and norms which the Project successfully summarized and the SFS validated during Fiscal Year II. As part of the Project´s analysis of these norms, one proposal was to lower the minimum capital for requiring external supervision. This proposal is in line with the comment from the Economics Intelligence Unit, which removed points for El Salvador due to its very high minimum capital requirement.

4. *NBFIs in compliance with SFS norms and regulations.*

The figure on the following page summarizes the activities carried out by the Project during Fiscal Year II to comply with and surpass this important target. In addition to working with specific NBFIs, the Project made significant progress in terms of changing the mindset of both the SFS in terms of the importance and benefits of broadening the number of NBFIs under the prudential supervision of the SFS.

It is important to emphasize that prior to the start of this Project's activities in January 2012 only two NBFIs had voluntarily sought SFS supervision during the previous ten years in El Salvador. During this period the credit union and Caja federations, through their political lobbying efforts, had successfully vetoed efforts to bring their largest members under the supervision of the SFS. Certainly, it is far easier to capture savings without the external supervision of the SFS than with it, so the credit unions and Cajas were generally pleased by the efforts of their federations. Furthermore, throughout Central America the concept of seeking SFS supervision in order to offer savings to poorer communities, continued to be an issue of lower priority. Indeed, in a regional conference organized by the REDCAMIF, the Central American network of microfinance networks, savings was mentioned only tangentially and there were no panels covering the importance of external supervision. As a result, multiple and sustained efforts were required by the Project to initiate and extend a dialogue among NBFIs about the benefits of external supervision.



# of NBFIs	Activity	Impact
5	Gap Analysis	During a two-hour board meeting to present the findings of the analysis, all board members become familiar with every regulation required by the SFS for NBFIs. The orientation of the presentation is that the regulations are consistent with normal, well-organized operations of a financial intermediary, that there is nothing untoward or unreasonable in the regulations, and that the board should authorize its executive director to develop a plan to eliminate any and all gaps identified in the report.
2	Board Training	Members of the board of directors are educated about the norms and regulations required by the SFS. Institutional alternatives are explored, including the advantages and disadvantages of savings and loan credit unions, cooperative banks, savings and loan societies, etc. As a result of this training, one Project institutional partner chose to change its legal structure, becoming a savings and loan credit union in order to offer savings to its membership. Authorization has been secured and the credit union will initiate operations in January 2014. This is the first major change in its legal status since it was formally created in 1995.
11	Strategic Planning	Indicators of success for microfinance associations as developed by the SEEP Network include two which indicate that 100% of membership should capture savings. As of the

	of ASOMI members	end of Fiscal Year II, the Project has told ASOMI, in response to its request for assistance in developing its new five-year strategic plan, that it will support this initiative only if ASOMI orients its plan around the SEEP Network indicators of success. Doing so will require extensive discussion among ASOMI members about the importance of external supervision.
All NBFIs	SFS Policies	The Project has consistently argued in favor of direct supervision of all NBFIs by the SFS. The Project does not support delegated supervision. As indicated previously, El Salvador loses points in international rankings given the very high minimum capital requirements for supervised institutions ($70 million). The Project has oriented the SFS towards lowering this amount, and as of the writing of this report, the SFS appears to be considering reducing this amount to $25 million. See Annex E for an example of an institutional diagnostic to strengthen the capacity of project partners. In this instance, Annex E presents the consultant report of an internal assessment conducted for FINCA.
1	Full compliance	During Fiscal Year II the Project worked extensively with partner ACACU which, as of September 30th, 2013, is in full compliance with SFS regulations.
1	Partial compliance	A second Project-supported NBFI – AMC - has invested more than $250,000 in its efforts to comply with SFS requirements. As of September 30th, 2013, it has chosen its institutional preference and complies with all operational norms. It must still decide its preferences pertaining to the ownership structure and control and the expectation is that this will be completed prior to the end of the Project.

The net result of these activities can be summarized by the following:

- the Project has directly affected nine NBFIs in terms of their appreciation of external prudential supervision;
- the Project is currently in discussions with ASOMI to orient its entire membership towards this important strategic issue;
- during the month of October (first month of Fiscal Year III), the Project will sign a Letter of Understanding with FEDECACES which will conceivably replicate the Gap Analysis throughout the entire credit union system; and
- the Project is working with the SFS itself to modify its policies to bring virtually every important deposit-taking institution under its supervisory wing.

As indicated in the table above, although the Project has worked extensively with two partners – ACACU and AMC – to bring them into full compliance with SFS norms and regulations, as of the writing of this report ACACU has successfully completed the process. On September 19th 2013 the board of directors of AMC reported to the Project its progress towards this goal as well as a list of pending issues. The Project had established September 30th 2013 as an internal target date for achieving the goal of two institutions meeting all regulatory requirements and this generated a positive impact in terms of the urgency on the part of the two institutions. Given the complexity, investment and strategic considerations required for full compliance, however, it is not unreasonable that AMC requires additional time. The Project continues to work with AMC to bring it into full compliance by Project end.

B. **Component 2: Improvement of Technical Skills, New Products and Market Infrastructure of the Financial Institutions to Provide Appropriate Financial Services for MSEs**

The Project contract defines the following expected results under this component:

> "No less than eight Microfinance Institutions supported by USG technical assistance, training and improved technology, strengthened. At least two of them must be ready to comply with the SFS requirements for becoming an organization supervised by that body by the end of the project.
>
> No less than 300 staff from microfinance organizations and the association trained in new methodologies and products appropriate to MSEs.
>
> No less than 800 new MSEs borrowers from USG-assisted microfinance institutions attributable to the technical assistance provided under this contract.
>
> No less than two new financial products or instruments introduced, developed or improved."[5]

Two more Project-proposed targets were approved by USAID:

> No less than 800 new savers from USG-assisted microfinance institutions attributable to the technical assistance provided under this contract; and
>
> A six percent increase in equity of USG-assisted microfinance institutions as an indicator of institutional strengthening.

Finally, the Project is also tasked with strengthening at least one association of institutions servicing micro and small entrepreneurs.

The following section describes the Project´s progress for each of these targets.

1. Number of Institutions Strengthened

Number of NBFIs Strengthend by the Project	
Project Deliverable	***Fiscal Year II Result***
8	9

At the end of Fiscal Year I, the Project had identified seven of the required eight institutions. During Fiscal Year II the Project signed Letters of Understanding with two additional institutions, thereby exceeding the contract deliverable:

i. ***Asociación Cooperativa de Ahorro y Crédito de la Unión de Responsabilidad Limitada (ACACU)* -** ACACU is a credit union located in La Unión. With five branch offices, it manages US$45 million in total assets, US$35 million of which are in outstanding loans to almost 6,000 of its membership, approximately 1,200 of which represent loans to micro and primarily small enterprises averaging US$3,500.

[5] Ibid, Page 12 of 50 pages

ii. ***Adel Morazán Créditos de Responsabilidad Limitada (AMC)*** – This microfinance institution / cooperative society is located in San Miguel with sixteen branch offices throughout El Salvador serving approximately 12,500 micro and small entrepreneurs. It disburses more than 1,200 loans each month with an average value of less than US$900.

iii. ***APOYO INTEGRAL* -** Integral is a regulated microfinance institution / cooperative society. It has approximately $70 million in assets and 35,000 microenterprise borrowers being attended through 26 branches.

iv. ***Asociación Salvadoreña de Extensionistas del INCAE (ASEI)* -** ASEI is a non-governmental organization (NGO) with head offices in San Salvador. It manages four branch offices, 7,200 business clients and an outstanding loan portfolio of approximately US$1.4 million. The important fact about ASEI is its plan to grow to 80,000 clients by the year 2020.

v. ***Servicios Financieros ENLACE* -** This microfinance institution / non-governmental organization has a head office in Santa Tecla, ten branch offices throughout El Salvador and more than 42,500 active clients. It disburses almost ten thousand credits to business entrepreneurs each month, 100% of which, on average, are below US$400.

vi. ***FINCA* -** This non-governmental organization has its head office in San Salvador and nine branch offices throughout El Salvador currently serving approximately 8,000 clients. FINCA offers financial services primarily to women entrepreneurs.

vii. ***Fundación Campo* -** This non-governmental organization has head offices in San Miguel. Of particular interest is that this organization works with rural producer groups, offering the Project an opportunity to explore ways to increase the productivity of participating small farmers. As of September 30th this partner had more than 11,800 active borrowers.

AND THE TWO INSTITUTIONS SIGNED IN FISCAL YEAR II:

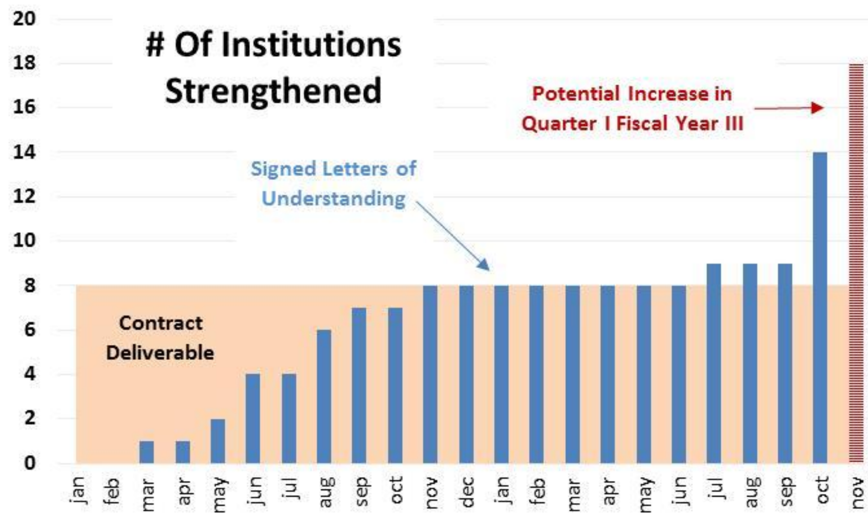
viii. ***Asociación Cooperativa de Ahorro y Crédito de las Señoras del Mercado Municipal N^{o} 2 de Santa Ana de Responsabilidad Limitada (ACACSEMERSA)*** - ACACSEMERSA is a credit union located in Santa Ana. With three branch offices, it manages US$12 million in total assets, almost US$7 million of which are in outstanding loans to over 4,000 of its membership. This credit union was founded primarily by women vendors in the Santa Ana market and women continue to dominate its board of directors.

Dates Letters Of Understanding Signed

ACACSEMERSA	November 14, 2O12
ACACCIBA	July 17, 2013

ix. ***Asociación Cooperativa de Ahorro y Crédito de Ciudad Barrios (ACACCIBA)*** - ACACCIBA is a credit union located in Ciudad Barrios. With three branch offices, it manages US$12 million in total assets, almost US$7 million of which are in outstanding loans to over 4,000 of its membership.

Note: as of the writing of this Annual Report, the Project has finalized discussions with a tenth institution and will sign a Letter of Understanding with them in October, 2013.



During October 2013, the first month of Fiscal Year III, the Project will sign a Letter of Understanding (LOU) with FEDECACES, the credit union federation. The purpose of the LOU is to train FEDECACES staff in how to conduct the Project´s Gap Analysis. As part of the counterpart to this LOU, FEDECACES will implement at no technical assistance cost to the credit union, four Gap Analyses, preferably among its largest affiliates.

The potential increase of an additional four institutions projected for November refers to the attempt to interest FEDECRÉDITO in applying the Gap Analysis methodology to a number of its member Cajas. FEDECRÉDITO itself is supervised by the SFS, but this supervision does not extend down to the Cajas which actually manage savings, which have grown to more than $700 million. The Project is coordinating with the Interamerican Development Bank, which is funding a program with FEDECRÉDITO, to encourage this federation to assess the extent to which its affiliates comply with supervisory norms and regulations.

2. ***Number of MFI Staff Trained***

Number of Microfinance Organizations Staff Trained		
Original Deliverable	***Fiscal Year I Result***	***Fiscal Year II Result***
300	166	947

Fiscal Year II witnessed a surge in staff training for the staff of partner institutions, generating results far in excess of this contract deliverable.

Demand for training included the Project's *METAS* course, a staple of the Boulder Microfinance Institute´s program offered each year in Turin, Italy and at different locations in Latin America.[6] However, a wide range of courses were offered to Project partners; the full listing of courses and the numeric breakdown of participants can be found in Annex F.

Fiscal Year	Total Training Participants	Female Participants	% Female Participants
I	166	96	57.8%
II	781	358	45.8%
Total	947	454	47.9%

3. ***No Less than 800 New Borrowers***

Number of New Borrowers		
Original Deliverable	*Project-Proposed Revised Deliverable*	*Project Result*
800	3,200	6,987

As of September 30th, 2013, Project-supported institutions had a total of 128,545 outstanding loans of which 67.0% were to women. ENLACE, with 42,602 active borrowers is the largest institution receiving technical assistance from the Project. ENLACE is also the partner that has generated the largest growth in terms of the absolute number of new borrowers: 4,639 of which only 23 are men. Project partner FINCA is close behind, having expanded its clients by 4,350 since the Project signed its Letter of Understanding. 80% of FINCA's new borrowers are women.

As will be presented in the Monitoring section later in this report, during the period July 1st – September 30th 2013 the net number of new borrowers in all Project partners increased by 3,043, of which 56% were women. INTEGRAL, ACACSEMERSA and AMC have experienced declines. ACACSEMERSA is a more recent Project partner and its numbers reflect movements by its credit union membership and so may simply reflect seasonal fluctuations. AMC and INTEGRAL, however, together have experienced a net decline of 5,488 borrowers. In both institutions, women borrowers have declined more than male borrowers. Prior to the Project's letter of understanding with INTEGRAL, it had worked with international consultants who proposed significant changes to its operational structure. Their recommendations resulted in many field officers being dismissed, after which INTEGRAL encountered serious issues which required it to re-hire many of the same field officers who had previously been fired. Most of the decline in INTEGRAL's borrowers occurred early in the Project and seems to be settling in this latest reporting period.

The following section reports that notwithstanding the decline in borrowers, INTEGRAL, as a direct result of Project technical assistance, has experienced a dramatic increase in the number of savers.

[6] http://www.bouldermicrofinance.org/_inst/index.php?page=EN

4. New financial products or instruments introduced, developed or improved

Savings in INTEGRAL

New Financial Products Introduced	
Original Deliverable	*1. Savings in INTEGRAL* *2. EQUIFAX Indebtedeness Reports* *3. Credit Cards from AMC* *4. MIDO software for ENLACE* *5. Accounting Software*
2	5

At the time of this consultancy, INTEGRAL had just begun capturing savings. Most of the savings were fixed deposits and most of the new accounts were generated by a head office professional.

The Terms of Reference designed to promote savings throughout INTEGRAL's branch network included the following activities:

a. Conduct a market study focusing on savings
b. Develop recommendations about how best to attract savings
c. Assess the structure of the branches in terms of their ability to capture savings
d. Validate personnel competencies in terms of capturing savings
e. Develop a work plan for implementing recommendations
f. Design and conduct a training plan for INTEGRAL employees.
g. Design and seek approval of an incentive package for capturing savings
h. Assist in the development of targets regarding growth in savings accounts.

As far as item "f." is concerned, the original plan was to train approximately 20 employees in techniques for managing savings accounts. Following the work of the Project's consultant, INTEGRAL decided to invite 235 of its employees to be trained (37% women). The consultant completed this task during this past Fiscal Year II and since that time the Project has monitored the growth in savings solely of INTEGRAL as part of its Monitoring & Evaluation activity since INTEGRAL is the one Project partner that has received techcnial assistance specifically for building savings. The results of this activity are presented below within the section dedicated specifically to the savings deliverable.

Equifax Indebtedness Reports

During November 2012 the Project brought to El Salvador an international consultant tasked with assessing the risks of over-indebtedness within the local microfinance market. A recommendation from the subsequent report was to engage with EQUIFAX, a private credit bureau, to discuss the possibility of reports which could reflect better light on the state of indebtedness among microfinance borrowers.

As it turned out, the recommendation was well-timed. In close coordination with ASOMI, the Project successfully negotiated an agreement with EQUIFAX to develop a product for all microfinance institutions, credit unions, Cajas and indeed all companies offering loans to consumers: *a cost-effective, sustainable, periodic report on the status of over-indebtedness among lower income borrowers throughout the country*. On January 24th, 2013 the Program organized a meeting for all stakeholders in order to provide EQUIFAX with an opportunity to generate feedback and recommendations for its concept for the Report. The demand to attend this event far exceeded expectations, creating logistical challenges which the Project team quickly addressed. Additional, smaller meetings were held to help orient EQUIFAX in terms of the report's design. The Project met on multiple opportunities with EQUIFAX executives to emphasize the Project's orientation with these reports: that EQUIFAX needed to determine a proper balance between the amount of information to be contained in the reports and the cost of the same.

On June 20th the Project co-sponsored an international event to raise market awareness of the dangers of over-indebtedness. The Superintendent of the SFS opened the event with a speech emphasizing his institution's support of efforts to control the risks of over-indebtedness. His presentation was followed by a brief speeches presented by the President of ASOMI Lic. José Luis Gonzalez, and the representative of USAID, Lic. Sandra Lorena Duarte.

The photograph shows (from left to right) Lic. Omar Villacorta Alvarez of IDB- FOMIN Bolivia; Lic. Roxana Durán, Executive Director ASOMI; Lic. Iván Gutierrez, Executive Director REDCAMIF; Lic. Sandra Lorena Duarte of USAID; William Tucker, Project Chief of Party, Lic. Guillermo Villacorta Gavidia, IDB-FOMIN El Salvador.

Two international presenters then spoke about international experiences pertaining to over-indebtedness, and this was followed by the EQUIFAX presentation of its new Project-supported report.

On September 26th, 2013, the Project sponsored another, smaller event just for the members of ASOMI to give them an opportunity to discuss the final design of the EQUIFAX reports, which present the following structure:

Level I: One report presenting data covering credit unions, cooperatives and microfinance institutions

Level II: Three reports with data corresponding to members of FEDECACES (credit unions only), FEDECRÉDITO (Cajas only) and ASOMI (microfinance institutions only)

Level III: A report which presents data corresponding to a single institution.

During the September meeting with ASOMI members, EQUIFAX compared the results from the Level II report referring to ASOMI, with the data from the Level I report in order to provide greater depth to the analysis possible from the information contained in these reports. Similar meetings are tentatively planned for both FEDECACES and FEDECRÉDITO. Annex G contains a copy of the final design of the EQUIFAX reports.

EQUIFAX has provided the Level II reports without cost to the three associations, which now have an opportunity to either distribute the association-level report to its membership without cost or to charge for the information provided. EQUIFAX has stated that its own corporate contribution to the development of this report exceeded $60,000 and during 2013 new management arrived which, fortuitously, is very interested in serving the needs of the microfinance sector.

Credit Card in AMC

With this authorization, current AMC clients are eligible to use credit cards with different suppliers of goods and services, facilitating transactions, allowing a faster means of payment, reducing the risk of carrying cash, and availing themselves of resources in emergency situations.

Annex H presents a summary of the specific activities carried out by the Project consultant to assist Project partner AMC to issue credit cards to its best clients. Extensive work was involved, including the definition of policies and procedures and the subsequent preparation of the corresponding manuals and securing all documentation required for the formal submission seeking authorization to issue credit cards. All activities were completed during Fiscal Year I. At present AMC is awaiting word from the Consumer Protection Agency regarding its proposed contracts to be used by clients to solicit their credit cards and the expectation is that during the first quarter of Fiscal Year III or at the latest at some point between January – March 2014, AMC will have distributed credit cards for the first time to 4,000 of its best clients.

MIDO Software for ENLACE

MIDO is an international technology company interested in investing in El Salvador to enhance the capability of microfinance institutions to take advantage of mobile platforms to provide financial services to remote clients at less cost.

During Fiscal Year I, MIDO approached the Project and described its systems and company goal. As a result of this presentation, the Project communicated with its institutional partners to assess their interest in listening to this same presentation. Every partner expressed interest and so the Project organized a half-day event at the Hilton Princess Hotel during which MIDO explained and demonstrated its technology. Multiple Project partners subsequently organized separate meetings with MIDO to explore opportunities designed expressly for their institutions.

Project partner ENLACE was the first institution to enter into a formal agreement with MIDO. The general objective of the investment is to install the necessary technology to enable credit agents to input client data into tablets which will automatically update the institution’s database, thereby eliminating a double process in which the field agent captures the data and then an administrative coordinator back at the head office inputs the information into the database.

Annex I contains the MIDO proposal as well as the financial analysis completed by ENLACE to justify the investment. ENLACE’s board of directors approved the investment once it saw a financial gain just in terms of savings attending current clients (excluding the possibility of new clients).

Of interest is the fact that MIDO, given that ENLACE was the first institution to sign an agreement, has decided to install within ENLACE at no additional cost the capability to rapidly implement mobile financial services for its customers once the *Anteproyecto de Ley de Inclusión Financiera* authorizing such services is approved by Congress.

Accounting Software

Attempts to implement the *Performance System* within Project partners, combined with results emanating from the Project's *Gap Analysis* described previously, brought to light the very real deficiencies of the back-office accounting systems and procedures in a very high percentage of participating institutions. Indeed, of the five institutions for which the *Gap Analysis* was conducted during Fiscal Year II, the average investment required to strengthen existing accounting system exceeded $200,000.

During its work with AMC to bring it into full compliance with SFS requirements, AMC's board of directors concluded that rather than continue to "patch" its existing accounting system to comply with regulatory requirements, a better strategy was to purchase a new accounting system which would fulfill its current and future needs. Following its exhaustive review of products available in the market, AMC selected the microfinance accounting system developed by FUNDAMICRO. (See Annex J for the consultant´s report on this migration.)

The process of migrating financial data from one accounting system to a new one is technically demanding and highly complex. During this process with AMC the Project familiarized itself deeply with the FUNDAMICRO system and guided efforts to enhance its capabilities to meet the needs of the SFS. As a result, on September 12th, 2013 the Project signed a contract with FUNDAMICRO to support its on-going efforts to develop an accounting product for all microfinance institutions in El Salvador. Annex K presents the FUNDAMICRO proposal to describe the activities to be undertaken under this contract. The expectation is that all modules will be completed prior to December 31st 2013. Final validation of the new product will require coordination with the SFS to test certain reports.

Finally, in September 2013 the Project discovered that Project partner ASEI, one of the institutions which had attempted unsuccessfully to implement the *Performance System* due to the quality of its existing accounting system, had decided to purchase with its own resources the Project-upgraded FUNDAMICRO software. This represents an investment in the neighborhood of $100,000 and is a direct result of Project technical assistance provided to ASEI, oriented towards strengthening its internal operations while urging it to modify its legal structure to allow for the eventual offer of savings products in the same communities in which it currently provides loans.

5. *No Less than 800 New Savers*

The Project has carried out and continues to implement activities designed to indirectly promote new savers:

- Facilitated the presentation of information on the SFS website pertaining to supervision norms and laws to make it easier for institutions to understand how to strengthen their internal policies, procedures and operations;

- Promoted policies within the SFS to bring more deposit-taking institutions under the supervisory umbrella of the SFS, as per its own Strategic Plan. Although additional costs often are incurred by supervised institutions, the improved market image results in far greater volumes of savings as individuals' trust increases with the knowledge that their institution is being externally supervised by the premier national entity designed specifically to protect their interests;

- Worked extensively with Project partner AMC to become a Savings and Loan Society; once authorization is approved by the SFS, savings will grow exponentially in the new financial intermediary;

- Supported the transition of Fundación Campo into "Credi-Campo", a savings and loan association focused on providing financial services through rural community development associations. Association members have been encouraging Fundación Campo to offer savings and the Project has worked extensively to prepare the institution internally, to train staff and board members and to prepare all necessary documentation. Credi-Campo is expected to initiate operations on January 1st, 2014.

- Continues to support the transition of ASEI into a savings and loan association. As with Fundación Campo, this new financial intermediary, which is not expected to obtain authorization prior to the end of this Project, will provide a new channel for capturing savings. The decision to create the new institution has been formalized by ASEI's Board of Directors, so this Project-supported activity will continue to contribute to new savings long after the Project ends. See Annex L for the consultant's report on this process.

- The market analyses conducted for Project partner ACACSEMERSA, resulting in Board approval of a new branch office and the upcoming market assessment for Project partner ACACU, are both designed to increase savings volumes in these two credit unions. See Annex M for the consultant's report on this market analysis.

Number of New Savers		
Deliverable	***Fiscal Year I Result***	***Fiscal Year II Result***
800	0	5,378

The *Gap Analysis* strengthens institutions in the sense that it leaves institutions better prepared to prudently manage the savings entrusted to them. This, along with financial education, reinforces and complements the activities focused on increasing savings.

All of the activities listed above will contribute to increased savings long after this Project ends. None of the activities have, to date, been included in the Project's Monitoring & Evaluation reports because they do not meet the Project's definition of *direct* technical assistance to increase the number of savers.[7]

The one *direct* technical assistance activity which the Project uses to report on this indicator is the savings initiative implemented with Project partner INTEGRAL. The results generated to date not only indicate the quality of the technical assistance provided, but also the pent-up market demand for this product.

[7] Depending on how quickly ACACSEMERSA establishes its new branch office, and how quickly Credit-Campo initiates its activities, it is possible that the Project's Final Report incorporate information from these two initiatives as well.

6. ***6% Equity Increase***

This final indicator is designed to be included in the Project's Final Report.

C. Additional Activities

1. ***One Association Strengthened***

> *Through this Project, at least one association of institutions serving micro and small entrepreneurs must be strengthened to help it improve its institutional performance, advocate for an appropriate enabling of environment for microenterprise development and serve as sources of fundamental information to its membership.*[8]

On January 24th, 2013 the Project signed a Letter of Understanding with the Association of Microfinance Organizations of El Salvador – ASOMI. The primary focus of this agreement was to work in concert to prepare a report by the private sector credit bureau EQUIFAX which periodically would provide useful and practical information to ASOMI's members, concerning the level of indebtedness of their borrowers.

During 2013 the Project and ASOMI have worked closely together and the EQUIFAX reports which were referenced in a previous section, emerged as a new product generated by the Project. The working relationship with ASOMI broadened to include an analysis of its members' interest rates in anticipation of the Usury Law passed during 2013 and, in September 2013 a request by ASOMI that the Project support the development of its 5-year Strategic Plan.

ASOMI and indeed all of the microfinance associations affiliated with REDCAMIF, the regional microfinance association, demonstrate limited interest in the issue of savings. Yet an important focal point of the Project has been to expand significantly the offer of savings throughout the same lower-income communities in which Project institutional partners currently operate. The opportunity to support ASOMI's 5-year Strategic Plan represents an opportunity to redirect the efforts of ASOMI so that they would align themselves more closely with the Project´s emphasis on savings.

The Project´s emphasis on savings is based on research[9] which indicates that in terms of helping families move out of poverty, there is a closer relationship with the ability to save rather than having access to credit. Furthermore, institutional capacity building is a prerequisite since microfinance institutions interested in offering savings products must comply with legitimately stringent policies and procedures as set forth by the national bank supervisor. Often, microfinance institutions discover that their current policies and procedures are deficient on multiple levels. Therefore, a focus on savings is consistent with the Project´s mandate to strengthen local microfinance institutions.

[8] Project Contract Document: GLOBAL BUSINESS SOLUTIONS, INC., AID-519-C-12-00001, Page 12 of 50 pages
[9] For references, Google "savings and microfinance"

The Project´s emphasis on savings is *also* consistent with the indicators of success for microfinance institutions. These indicators of success were developed by representatives of microfinance institutions from around the world. In fact, REDCAMIF participated in this 18-month process which culminated at an annual conference of the DC-based SEEP Network, during which the microfinance associations approved democratically the indicators. Several of these indicators refer specifically to savings.

The Project communicated to ASOMI its willingness to support the development of its 5-year strategic plan, but only if ASOMI's Board of Directors agreed that the plan itself should be structured around the SEEP indicators of success. Of interest was the fact that most Directors had no prior knowledge of these indicators. During September 2013, ASOMI formally communicated to the Project its intent to develop its new 5-year strategic plan around the SEEP indicators of success and the Project formalized its commitment to support this activity.

2. *Financial Education*

Financial education plays an important role to ensure that efforts to promote financial inclusion help rather than hurt households which previously had not been able to access financial services. During 2013 the Project started coordinating with the Financial Education Program of El Salvador ("*PEF*"), consisting of the Central Bank, the SFS, the Consumer Protection Agency and the Deposit Guarantee Institute. The Project is supporting their efforts to promote financial education by coordinating training and conferences to the Project partners´ staff and clients or credit union members. With new financial products and services in the market financial education becomes important not only to be able to select the best option but to learn the correct use of the product.

During 2013 the Project sponsored training events of the Government of El Salvador's Financial Education Team. On August 9 – 10 2013 the team provided training to Project partner staff and members, ACACU de R.L. in La Unión. Topics addressed were family budgets, savings plans, credit card use and detecting counterfeit currency. During this visit the team also participated in ACACU´s TV financial education program and on two radio shows, one in La Unión and another in San Miguel, both sponsored by the credit union. An estimated 30,000 viewers and listeners were reached by these activities.

On September 18th the Project sponsored a meeting with representatives of the PEF to explore strategies for significantly increasing the impact of its financial education activities. While the Project would continue to support specific events (see following paragraph) it was necessary to consider mass media solutions to reach all of El Salvador´s six million plus inhabitants. As a result of that meeting, the possibility of producing videos was raised and this will explored during the Project´s Fiscal Year III.

Another Project partner, ACACSEMERSA de R.L. with its main office in Santa Ana, requested Project support to sponsor a financial education event for its staff and credit union members. On September 20 2013 at the Hotel Sahara in Santa Ana, the Project sponsored a financial education training event, where the BCR Financial Education team gave presentations on family budgets, savings plans, and detecting counterfeit currency. (See newspaper announcement below.) 106 people attended this event (60 women, 46 men).

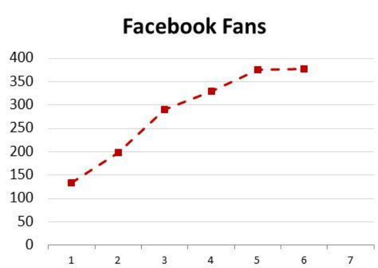
3. Communications

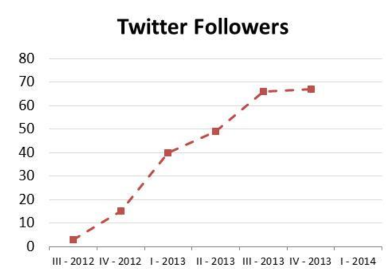
The Project continues to use social networks to promote its activities. The Project has continuously shared articles and publications in Facebook with *friends* and others interested in microfinance, financial inclusion, mobile financial services and other related subjects. During Project-sponsored trainings or events, *tweets* are sent to promote the activity among our followers and their followers.

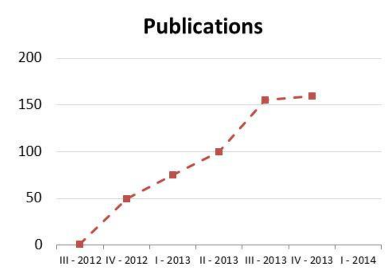
Media monitoring identifies articles related to the microfinance environment. Monitoring both local and international media, the Project has been able to identify activities, events and news that are posted to our Facebook page for easy access of our partners and friends.

Communications also tracks new publications of potential interest to Project partners. 160 publications have been identified as of the writing of this report. The publication with the highest number of "views" has been: "Dinero móvil, retirar dinero en cajeros automáticos sin necesidad de tarjetas plásticas". Post date: 16/08/2013; Number of views: 245.

http://practifinanzas.com/2012/09/dinero-movil-que-es-como-usarlo-diferencia-de-transfer/







	September 2013
Facebook fans	378
Twitter followers	67
Publications	160

Facebook http://www.facebook.com/ProyectoIAFS?fref=ts

Twitter https://twitter.com/USAIDIAFS

4. *Financial Inclusion Event*

The Project and the Central Bank organized the Conference "Financial Inclusion: Challenges and Innovations" to present the initiatives on financial inclusion being carried out in El Salvador. The inauguration was conducted by the newly appointed President of the Central Reserve Bank, Marta Evelyn de Rivera. She was accompanied by the Vice-Minister of Revenue, the Superintendent of the Financial System, and USAID Improving Access to Financial Services Project COR. The event gathered over 200 participants from the Government of El Salvador, international and local NGOs, executives from commercial banks, MFIs, audit firms, telecoms, and university delegates and students.

In her opening speech, the Central Bank President stated that "Financial stability will not be complete without financial inclusion. The development of a stable and competitive financial system will not be achieved until these products and services can be accessed by everyone. Access to adequate financial services for all, including low income people, is vital to improve the quality of life and economic development of a country; it is a condition to reduce poverty".

International experts from CGAP (The Consultative Group to Assist the Poor), the Word Bank and AFI (Alliance for Financial Inclusion) gave presentations to explain the main challenges for financial inclusion, such as slow progress in developing alliances essential to mobile banking, and the reviews of norms and regulations which promote an inclusive and competitive market.

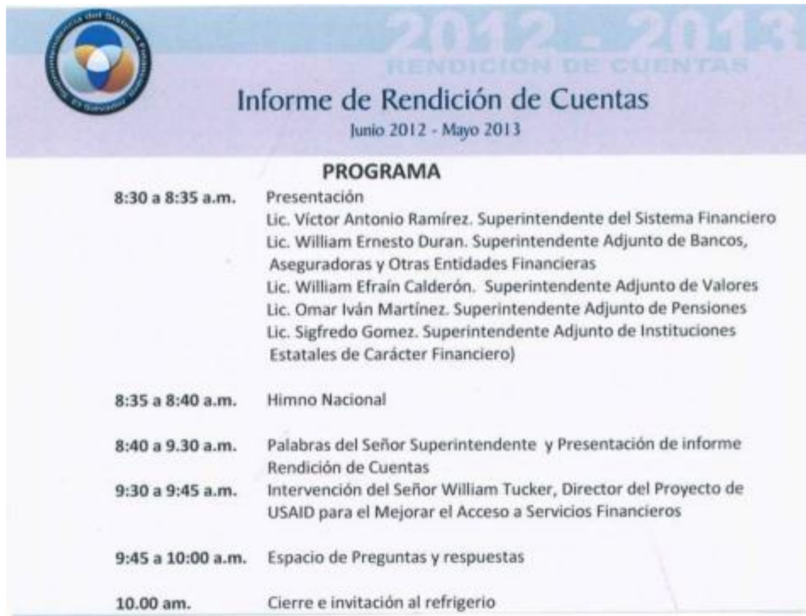
Carlos Corazza of the World Bank explained that a solid financial infrastructure enhances financial stability and that a country must have a well regulated payment system to increase efficiency and effectiveness in supporting a country's development. The expert pointed out that a regulatory objective should be to secure the improvement of minor transactions to benefit final users and the over-all economy, without unnecessary fees.

John Owens, AFI expert, shared experiences of financial inclusion from Nigeria, Mexico and the Philippines. He emphasized that each country must first evaluate its condition, approach, IT infrastructure and regulatory framework. Owens explained that to promote financial inclusion, innovative products and services must be developed, such as mobile payments which substitute cash payments. From the Guatemala Superintendency of Banks, Ricardo

Estrada shared his country's experience in mobile financial services and bank correspondents. He mentioned the importance of the current mobile regulation that allows mobile transactions and services, and at the same time promoting competition.

5. *Special Invitation from the Superintendency*

The Project´s Chief of Party was a special guest of the SFS´s annual report presentation, where he provided a briefing of the Project activities with the SFS. In addition to all of the Superintendents, the President of the Central Bank attended this event as well.



2012 - 2013
RENDICION DE CUENTAS
Informe de Rendición de Cuentas
Junio 2012 - Mayo 2013

PROGRAMA

8:30 a 8:35 a.m.	Presentación Lic. Víctor Antonio Ramírez. Superintendente del Sistema Financiero Lic. William Ernesto Duran. Superintendente Adjunto de Bancos, Aseguradoras y Otras Entidades Financieras Lic. William Efraín Calderón. Superintendente Adjunto de Valores Lic. Omar Iván Martínez. Superintendente Adjunto de Pensiones Lic. Sigfredo Gomez. Superintendente Adjunto de Instituciones Estatales de Carácter Financiero)
8:35 a 8:40 a.m.	Himno Nacional
8:40 a 9.30 a.m.	Palabras del Señor Superintendente y Presentación de informe Rendición de Cuentas
9:30 a 9:45 a.m.	Intervención del Señor William Tucker, Director del Proyecto de USAID para el Mejorar el Acceso a Servicios Financieros
9:45 a 10:00 a.m.	Espacio de Preguntas y respuestas
10.00 am.	Cierre e invitación al refrigerio

6. *Micro Insurance*

On July 24th, the "1st Regional Microinsurance Forum" was sponsored by the Project in San Salvador. Specialized microinsurance consultants shared regional experiences and their success in implementing microinsurance as a financial product. Microinsurance serves to protect low income households against risks, such as accidents, health issues, death, natural disasters at a low cost or fee according to their needs, incomes and risk. Microinsurance is well-oriented to serve the informal sector, which is normally not covered by commercial insurance plans or social security.

Participants included representatives from microfinance institutions and insurance companies that orient funds to finance the micro and small business sector, including coops, NGOs, microfinance associations, banks, and brokers. National and international experts with a knowledgeable experience presented regional and worldwide experiences and moderated panels. Project consultant, Mrs. Andrea Camargo stressed the importance of microinsurance in a country's economic growth. María Victoria Saénz-Samper, BID-FOMIN Lead Microinsurance Specialist, explained the role of microinsurance in financial inclusion. REDCAMIF's Regional Microinsurance Coordinator, María del Carmen Claramunt Sansón, Alejandra Díaz Agudelo, from Colombian Microinsurance Association, and Paula Paignez, Vice-President of Global Partnership-Swiss Re, presented regional challenges and opportunities of the microinsurance market.

The continued support to the Project initiatives from the SFS, the Central Reserve Bank, BANDESAL, BAF and ASOMI was once again confirmed with the presence of their superintendents, presidents and vice-presidents, and executive directors.

The main objective of the event was to broaden the knowledge of its participants of the current regional challenges and opportunities of microinsurance, its possible distribution channels and the importance of this product to promote financial inclusion within the low income population. See Annex N for the USAID consultant’s presentation given during this event.

Sector	Number of Participants
Govt. of El Salvador	20
Associations	31
Commercial Banks	19
Insurance Companies	34
MFIs	28
Donors	5
Others	18

During Fiscal Year III the Project intends to receive and distribute to interested parties the assessment of Project consultant Andrea Camargo. It will coordinate with FUNDAMICRO to establish a working group to analyze the comments and proposals of this document and determine next steps, including a second Forum to continue promoting this important new product. The photograph below is the recognition provided to the USAID Sub Director.

From Right to Left: Teresa Miller, Business, Private Sector Officer, Economic Growth Office, USAID/El Salvador; Lic. Sandra Lorena Duarte, COR of the USAID Improving Access to Financial Services Project; William Elderbaum, Sub Director of the USAID Mission in El Salvador, Lic. Victor Ramirez, Superintendent of the Financial System; William Tucker, Project COP.

III. ACTIVITIES TO BE CARRIED OUT NEXT QUARTER

A. Improve Enabling Environment

The representative of the U.S. Treasury's Office of Technical Assistance (OTA) completed his Mission during Fiscal Year II and left El Salvador, leaving no further opportunities to the Project for coordination with this office.

The Project will coordinate with the BCR, the SFS and USAID to maintain the level of interest in passing the Project-assisted and -supported set of regulations pertaining to the introduction of mobile financial services in El Salvador.

The Project will receive the final report from the international micro insurance consultant. This document will be shared with the SFS to determine next steps. Furthermore, the Project will reach out to FUNDAMICRO to promote the creation of a standing committee among local institutions – including the private sector – to continue to promote micro insurance throughout El Salvador long after this Project ends.

The Project will continue to meet with the Superintendency of the Financial System to support its five-year plan to extend prudential supervision to deposit-taking institutions currently outside of its realm of influence. The Project will launch the on-line tool designed to assist and orient financial organizations interested in becoming fully regulated financial institutions. The launch event is scheduled to take place during the last week of November and will include the participation of a representative of the Peruvian Superintendency of Banks. The Intelligence Unit of The Economist magazine currently ranks Peru #1 in the world in terms of microfinance regulations.

B. Improve Performance of NBFIs

Technical assistance activities will continue with all Project partners as follows:

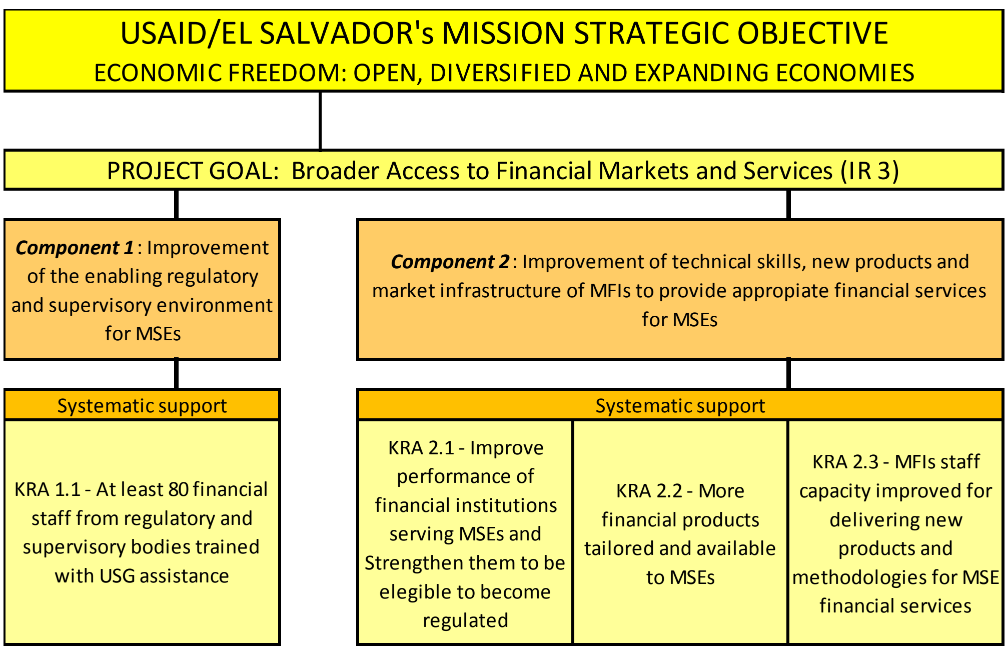
ACACCIBA	In response to the Project's *Gap Analysis*, the findings of which were presented to the board of this credit union on September 27th, ACACCIBA has requested Project support to start its process of closing the gap and coming into full alignment with SFS regulations. At the time of this report, the Project is seeking candidates to assist with this process.
ACACSEMERSA	Following the Project's marketing support of this credit union, its governing body decided to open a new branch office and has requested Project support to train staff and conduct an analysis of future clients/members. The Project will take good advantage of the services of the same consultant whose familiarity with the credit union will assist her future work to ensure the success of the new branch office.
ACACU	During Fiscal Year II, ACACU became the first Project-supported institution to meet 100% of SFS norms and regulations. It is the first credit union of El Salvador to be in full compliance. ACACU has requested Project assistance to enhance its customer service as its core growth strategy for the coming years. The Project is currently seeking a consultant to carry

	out these marketing activities.
AMC	The Project continues to support AMC with regulatory requirements for the emission of its new credit cards, the first time AMC will ever offer this service, and for coming into full compliance with SFS norms for regulated financial intermediaries. The Project's regulatory specialist will assume direct responsibility for this support.
ASEI	As with all supported institutions, the Project has encouraged ASEI to consider the importance of capturing savings to propel its future institutional growth. During Fiscal Year II ASEI's board of directors approved the proposal to convert ASEI into a cooperative association which would enable it to capture savings. The Project continues to support this initiative, specifically via training activities for senior executives and board members regarding obligations and legal responsibilities of the new institution.
ENLACE	The Project will continue to support ENLACE with its mobile technology initiative in alliance with MIDO. In addition to generating savings in terms of operating expenses, this initiative will also enhance service quality as ENLACE will be able to process loan requests in shorter time. Significantly, the MIDO technology also prepares ENLACE for the eventual approval of the *Ley de Inclusión Financiera* and the new opportunities which mobile financial services will offer both the institution and its primarily female clients.
FINCA	The Project's support for FINCA to date has focused primarily on institutional assessments and strengthening. In order to ensure solid growth well into the future, FINCA must address deficiencies in its back office operations, as communicated to FINCA by a Project consultant. FINCA has approved a new Project consultant who will create and embed within daily operations, policy and procedures manuals covering loan issuance, accounting, internal and external audits, etc.
INTEGRAL	INTEGRAL has requested Project support to install a technology platform to provide mobile financial services to current and future clients. In a manner similar to ENLACE, this activity will position INTEGRAL favorably once the Financial Inclusion Law is passed.
FUNDACIÓN CAMPO	In anticipation of the January, 2014 launch of CREDICAMPO as a savings and loan cooperative association, the Project will provide technical assistance and training to the staff of this Project partner to orient them towards the promotion and management of small savings accounts.
COOP UNO	The Project will sign a Letter of Understanding with this credit union located in Santa Ana. The primary activity will be a *Gap Analysis* of the institution's current set of policies and procedures versus those required by the SFS. Additional technical assistance activities may result from this analysis.
ASOMI	The Project will underwrite a major portion of this association´s new 5-year Strategic Plan. Depending on how quickly ASOMI can identify and the Project process the consultant to carry out this activity, the current expectation is that the Plan will be completed by December 31st, 2013.
FEDECACES	The Project will sign a Letter of Understanding with the Federation of credit unions in order to transfer the Project's *Gap Analysis* methodology to technical experts of FEDECACES. Four large credit unions will be selected to undergo the *Gap Analysis* involving FEDECACES and Project technical experts, after which FEDECACES will continue to implement this methodology to the rest of its affiliated credit unions.
FUNDAMICRO	The Project will continue to coordinate closely with FUNDAMICRO and the SFS to finalize the microfinance accounting software which will be the

	first of its type to comply fully with all SFS regulations.
SFS	The Project will invite a representative of the Peruvian Bank Superintendency for an information exchange with the SFS. This is in line with the Project's efforts to support an increase in the number of financial institutions supervised by the SFS. The visit is anticipated to occur in the final week of November 2013.
Financial Education Program of El Salvador	The Project will assess the feasibility of supporting the preparation of 14 short videos to accompany audios covering various financial education topics already developed by the PEF for the local market. The intent is to facilitate the mass marketing of these materials so that many more Salvadorans can learn how best to manage their household finances.

IV. PROJECT MONITORING

The Indicators and targets described in this section were tailored based on the project contract between Global Business Solutions, Inc. (GBSI) and USAID/El Salvador and the Mission's results framework, according to the Strategic Objective "Economic Freedom: Open, Diversified, and Expanding Economies" through the intermediate result No. 3 "Broader Access to Financial Markets and Services".



IAFS Project Indicators

The proposed indicators for the IAFS project are divided into four categories, corresponding to the expected results described in section C.5 of the Contract Statement of Work. These indicators have been selected using the indicator selection criteria checklist, which specifically requires that all indicators must be direct, objective, useful for management, attributable to project activities, practical, adequate and that could be disaggregated if required.

The table below summarizes results to date:

Indicator	Deliverable		Result
	Contract	*Project Proposed*	
Regulators and Supervisors Trained (disaggregated by sex)	60	240	**243 (38.7% Women)**
MFIs strengthened	8		**9**
MFIs in compliance with SSF	2		**1**
Increase in MFI equity as indicator of institutional strengthening	0		*Pending as per M&E Plan*
Number of MFI staff trained in improved MSE methodologies and products (40% women)	300	700	**947 (47.9% Women)**
Number of New Products or instruments used by MSEs	2		**5**
Number of New Borrowers (65% women)	800	3,200	**6,987 (67% Women)**
Number of New Savers (65% women)		800	**5,378 (58% Women)**

Deliverable surpassed

The following pages present the current numbers for each Intermediate Result Indicator.

INTERMEDIATE RESULT INDICATOR N° 1.1.1

<table>
<tr><td colspan="4">INDICATOR: 1.1.1 - Financial staff from regulatory and supervisory bodies trained with USG assistance.</td></tr>
<tr><td>UNIT OF MEASURE: Number of participants in each training activity.</td><td>FISCAL YEAR</td><td>PLANNED TARGET</td><td>ACTUAL RESULT</td></tr>
<tr><td>SOURCE: IAFS Project using assistance listings and evaluation sheets for each training event.</td><td>2012</td><td>220 Total
88 Female 40%
132 Male 60%</td><td>243 total
94 Female 39%
149 Male 61%</td></tr>
<tr><td>INDICATOR DESCRIPTION: This indicator will measure the number of CRB and SFS staff who participate in each training activity. One individual participating in two training activities will result in two units of measure.</td><td>2013</td><td>20 Total
8 Female 40%
12 Male 60%</td><td>243 total
94 Female 39%
149 Male 61%</td></tr>
<tr><td>OPERATIONAL PLAN STANDARD INDICATOR:
YES __XX__ NO _________</td><td>2014</td><td></td><td></td></tr>
<tr><td>PROGRAM AREA: KRA 1.1 - Strengthen the legal and regulatory framework for the financial sector.</td><td></td><td></td><td></td></tr>
<tr><td>PROGRAM ELEMENT:</td><td>Totals</td><td>240 Total
96 Female 40%
144 Male 60%</td><td>243 total
94 Female 39%
149 Male 61%</td></tr>
<tr><td>METHOD OF DATA COLLECTION: IAFS project will gather information from assistance listings, evaluation sheets and will prepare quarterly reports that it will submit to USAID/El Salvador.</td><td colspan="3" rowspan="3">For this indicator the baseline is Zero (0) and will count people trained as training events occur during the life of the Project.

On July 2012, the original LOP target of 80 people trained was changed and approved by USAID to be 240, which is the number shown on this table.
Technical assistance to The Superintendency of the Financial System and The Central Bank continue, but no further training activities were implemented. As of September 2013, the number of staff from regulatory and supervisory bodies trained continue to be 243 people trained, 101% of the LOP target set.</td></tr>
<tr><td>FREQUENCY/SCHEDULE OF DATA COLLECTION: Information gathered every time training is delivered.</td></tr>
<tr><td>RESPONSIBLE FOR DATA COLLECTION: Project M&E specialist.</td></tr>
</table>

INTERMEDIATE RESULT INDICATOR N° 2.1.1.

INDICATOR: : 2.1.1 - Number of NBFIs strengthened through Training activities, technical assistance and improved technology			
UNIT OF MEASURE: Number of institutions	FISCAL YEAR	PLANNED TARGET	ACTUAL RESULT
SOURCE: IAFS Project Quarterly Reports and assisted NBFIs Quarterly Performance reports.	2012	8	7
INDICATOR DESCRIPTION: This indicator will measure the number of microfinance institutions strengthened from direct support, technical assistance and training from IAFS project.	2013	8	9
OPERATIONAL PLAN STANDARD INDICATOR: YES ______ NO ___XX___	2014		
PROGRAM AREA: : KRA 2.1 - Improve performance of financial institutions serving MSEs and Strengthen them to be eligible to become regulated			
PROGRAM ELEMENT:	**Totals**	8	9
METHOD OF DATA COLLECTION: As a starting point, IAFS project will count institutions which have signed a letter of understanding and are receiving assistance.	For this indicator the baseline is Zero (0) and will count all partner institutions with a signed letter of understanding, receiving technical assistance. ACACCIBA, the ninth institution which became a Project partner, signed its Letter of Understanding on July 17th 2013. The details of the technical assistance activities are found on the STTAs section of this document. All activities have been designed to ensure the strengthening of the participating institutions as stated in the description of this indicator. Given the nature of the technical assistance provided by the Project, more than these 9 institutions have received support, for example institutions grouped in ASOMI.		
FREQUENCY/SCHEDULE OF DATA COLLECTION: Quarterly using the Project's status of assistance report.			
RESPONSIBLE FOR DATA COLLECTION: Project M&E specialist.			

INTERMEDIATE RESULT INDICATOR N° 2.1.2.

INDICATOR: 2.1.2 - Number of NBFIs ready to comply with requirements necessary for licensing and oversight			
UNIT OF MEASURE: Number of institutions	FISCAL YEAR	PLANNED TARGET	ACTUAL RESULT
SOURCE: IAFS Project, supervisory and regulatory entities evaluation and documentation.	2012	0	0
INDICATOR DESCRIPTION: This indicator will measure the number of microfinance institutions that meet all requirements to become a regulated financial institution.	2013	2	1
OPERATIONAL PLAN STANDARD INDICATOR: YES _______ NO ___XX___	2014	0	0
PROGRAM AREA: KRA 2.1 - Improve performance of financial institutions serving MSEs and Strengthen them to be eligible to become regulated			
PROGRAM ELEMENT:	**Totals**	2	2
METHOD OF DATA COLLECTION: IAFS project will evaluate which institutions have reached the appropriate level to become regulated. This indicator will be presented in the quarterly report submitted to USAID/El Salvador.	For this indicator the baseline is Zero (0) and will count all institutions which receive technical assistance to meet all requirements set by the Superintendency of the Financial System, to become a regulated institution. ACACU started the regulation process in January 2013 and as of September 2013 achieved 100% of the regulatory preparedness process. AMC has completed 90% of the regulatory process. The remaining 10% depends on finalizing the migration to the new accounting software and certain board decisions pertaining to AMC's future.		
FREQUENCY/SCHEDULE OF DATA COLLECTION: Yearly presented in the quarterly report.			
RESPONSIBLE FOR DATA COLLECTION: Project M&E specialist.			

INTERMEDIATE RESULT INDICATOR N° 2.2.1

INDICATOR: 2.2.1 - Number of NBFIs staff trained in improved/new MSE methodologies and products			
UNIT OF MEASURE: Number of people working for the partner NBFIs	FISCAL YEAR	PLANNED TARGET	ACTUAL RESULT
SOURCE: IAFS Project and partner NBFIs attendance listings.	2012	50 Total 20 Female 40% 30 Male 60%	166 Total 86 Female 52% 80 Male 48%
INDICATOR DESCRIPTION: This indicator measures number of people from partner NBFIs, receiving training under the IAFS project technical assistance.	2013	200 Total 80 Female 40% 120 Male 60%	781 Total 358 Female 46% 423 Male 54%
OPERATIONAL PLAN STANDARD INDICATOR: YES _______ NO ___XX___	2014	50 Total 20 Female 40% 30 Male 60%	
PROGRAM AREA: : KRA 2.2 - More financial products tailored and available to MSEs			
PROGRAM ELEMENT:	**Totals**	300 Total 120 Female 40% 180 Male 60%	947 Total 454 Female 48% 493 Male 52%
METHOD OF DATA COLLECTION: Directly from IAFS and partner NBFIs attendance listings; this indicator will be presented in the quarterly report.	For this indicator the baseline is Zero (0) and will count people trained as training events occur during the life of the Project. Training activities conducted during Fiscal Year II involved 781 people, of which 358 (45.8%) were women. The cumulative value for this indicator as of September 2013 is 947 NBFI staff trained, which represents 315% of the LOP target.		
FREQUENCY/SCHEDULE OF DATA COLLECTION: Quarterly.			
RESPONSIBLE FOR DATA COLLECTION: Project M&E specialist.			

INTERMEDIATE RESULT INDICATOR N° 2.2.2

INDICATOR: 2.2.2 - Number of new or improved financial products or instruments used by MSEs			
UNIT OF MEASURE: Number of products	FISCAL YEAR	PLANNED TARGET	ACTUAL RESULT
SOURCE: IAFS Project STTAs deliverables and reports.	2012		
INDICATOR DESCRIPTION: This indicator will count the number of new and/or improved products, processes or innovations developed by the NBFIs with the assistance of IAFS project. "Improved" products will generate better financial results.	2013	2	5
OPERATIONAL PLAN STANDARD INDICATOR: YES _______ NO ___XX___	2014		
PROGRAM AREA: KRA 2.2 - More financial products tailored and available to MSEs			
PROGRAM ELEMENT:	**Totals**	2	5
METHOD OF DATA COLLECTION: IAFS project STTAs deliverables and results will be included in the quarterly report submitted to USAID/El Salvador.	For this indicator the baseline is Zero (0) and will count all products being developed in the different technical assistances that Partner institutions receive. The five products developed under the IAFS Project are: 1. Savings at INTEGRAL 2. EQUIFAX Indebtedness Reports for all 3. Credit Cards for AMC 4. MIDO software for ENLACE 5. FUNDAMICRO Accounting Software Mobile financial services will be included in this list if the law of financial inclusion is passed. Micro-insurance is another potential new product.		
FREQUENCY/SCHEDULE OF DATA COLLECTION: Quarterly.			
RESPONSIBLE FOR DATA COLLECTION: Project M&E specialist.			

INTERMEDIATE RESULT INDICATOR N° 2.3.1

INDICATOR: 2.3.1 - Number of new borrowers from USG assisted NBFIs			
UNIT OF MEASURE: Number of people	FISCAL YEAR	PLANNED TARGET	ACTUAL RESULT
SOURCE: NBFIs portfolio details database / Project´s Performance Monitoring System	2012	100 Total 65 Female 65% 35 Male 35%	0
INDICATOR DESCRIPTION: This indicator measures the number of new micro and small enterprise borrowers with outstanding loans from all partner NBFIs. As described and approved in the M&E Plan, the number of new clients, will be the result of subtracting actual clients minus number of clients at the baseline of September 30th, 2012.	2013	2,100 Total 1,365 Female 65% 735 Male 35%	6,987 Total (2,153) Female 67% 9,140 Male 33%
OPERATIONAL PLAN STANDARD INDICATOR: YES ______ NO ___XX___	2014	1,000 Total 650 Female 65% 350 Male 35%	
PROGRAM AREA: KRA 2.3 - NBFIs staff capacity improved for delivering new products and methodologies for MSE financial services			
PROGRAM ELEMENT:	**Totals**	3,200 Total 2,080 Female 65% 1,120 Male 35%	6,987 Total (2,153) Female 67% 9,140 Male 33%
METHOD OF DATA COLLECTION: IAFS project will gather; process and validate the NBFIs portfolio details database and will include this indicator in the quarterly report that it will submit to USAID/El Salvador.	Fr this indicator the baseline is Zero (0), starting to count new clients after September 30th, 2012, the date on which technical assistance started to show results in the institutions. Between July – September 2013, 1,701 new women and 1,342 new men received loans, giving a net increase of 3,043 for the quarter. As of September 2013, the number of new borrowers totals 6,987; 67% female and 33% male. Regarding the LOP target, increased from the original 800 to the new deliverable of 3,200, the Project surpassed it by 218% as of September 2013.		
FREQUENCY/SCHEDULE OF DATA COLLECTION: Quarterly.			
RESPONSIBLE FOR DATA COLLECTION: Project M&E specialist.			

The following table shows changes in the number of new borrowers vis-a-vis the baseline. The Project is already presenting results 218% in excess of the life-of-project deliverable.

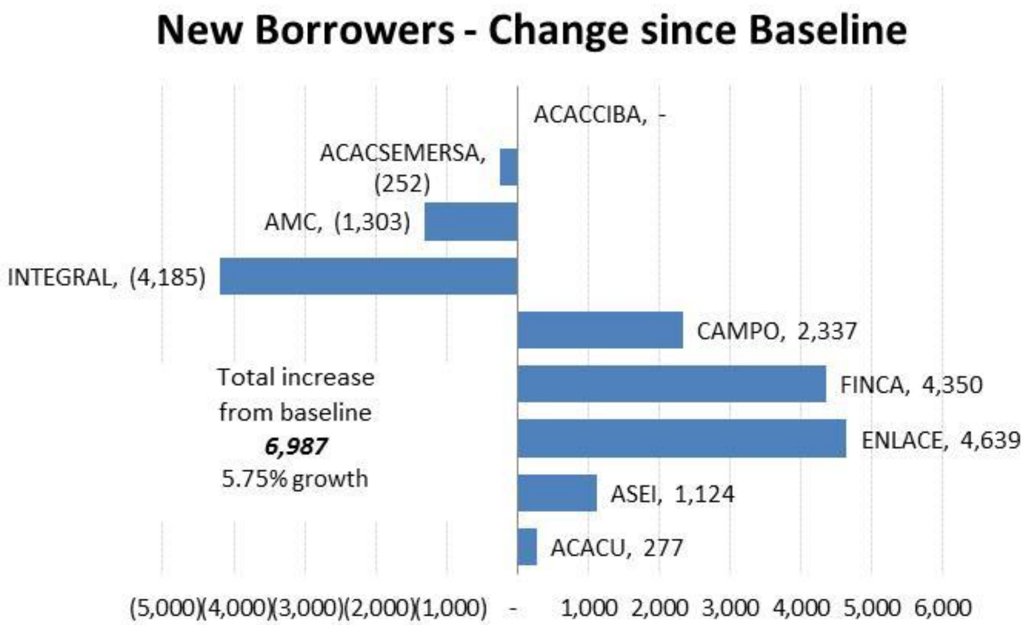
Indicator 2.3.1 - Number of new borrowers from USG assisted MFIs			
	Total Borrowers	New Borrowers	LOP Target: **3,200** % reached
Baseline - 09/2012	121,558	0	
QI - December 2012	124,396	2,838	89%
QII - March 2013	125,777	4,219	132%
QIII - June 2013 - This quarter	125,502	3,944	123%
QIV - September 2013	128,545	6,987	218%

The next table below presents the change from the baseline to the actual quarter, segregated by institution and sex. As of September 30th, 2013 partner institutions are managing 128,545 loans, of which 67% are to women:

Variation From Baseline - Segregated by Institution and Sex												
INSTITUTION	Baseline September 30th 2012			June 30th 2013			Septembre 30th 2013			Change From Baseline		
	Female	Male	Total	Female	Male	Total	Female	Male	Total	Female	Male	Total
ACACU	3,365	2,436	5,801	3,497	2,533	6,030	3,525	2,553	6,078	161	116	277
ASEI	8,309	1,766	10,075	8,900	1,905	10,805	9,180	2,019	11,199	871	253	1,124
ENLACE	29,425	8,538	37,963	33,013	8,102	41,115	34,041	8,561	42,602	4,616	23	4,639
FINCA	6,057	2,165	8,222	8,959	2,911	11,870	9,516	3,056	12,572	3,459	891	4,350
CAMPO	3,939	5,586	9,525	4,725	6,174	10,899	5,091	6,771	11,862	1,152	1,185	2,337
INTEGRAL	26,952	5,520	32,472	16,035	12,753	28,788	15,523	12,764	28,287	(11,429)	7,244	(4,185)
AMC	8,361	6,055	14,416	7,363	5,433	12,796	7,562	5,551	13,113	(799)	(504)	(1,303)
ACACSEMERSA	1,827	1,257	3,084	1,888	1,311	3,199	1,643	1,189	2,832	(184)	(68)	(252)
ACACCIBA	1,398	938	2,336	-	-	-	1,398	938	2,336	-	-	-
TOTAL	88,235	33,323	121,558	84,380	41,122	125,502	86,081	42,464	128,545	(2,153)	9,140	6,987
							67.0%	33.0%	100.0%			

Of significance is the serious decline in the number of female borrowers at INTEGRAL: 11,429. INTEGRAL has lost substantial market share since the Project started working with it, although this was related to a wholly separate technical assistance activity with an international firm which instituted substantial institutional changes, some of which subsequently had to be overturned (e.g. the firing and subsequent rehiring of field agents). The table below on savings (page 44) portrays the very positive impact which the Project has had on savings within INTEGRAL, most of which are generated by women. It is readily apparent that the separate technical assistance provided to INTEGRAL produced important modifications to its lending policies to the point where they have become unattractive to female borrowers.

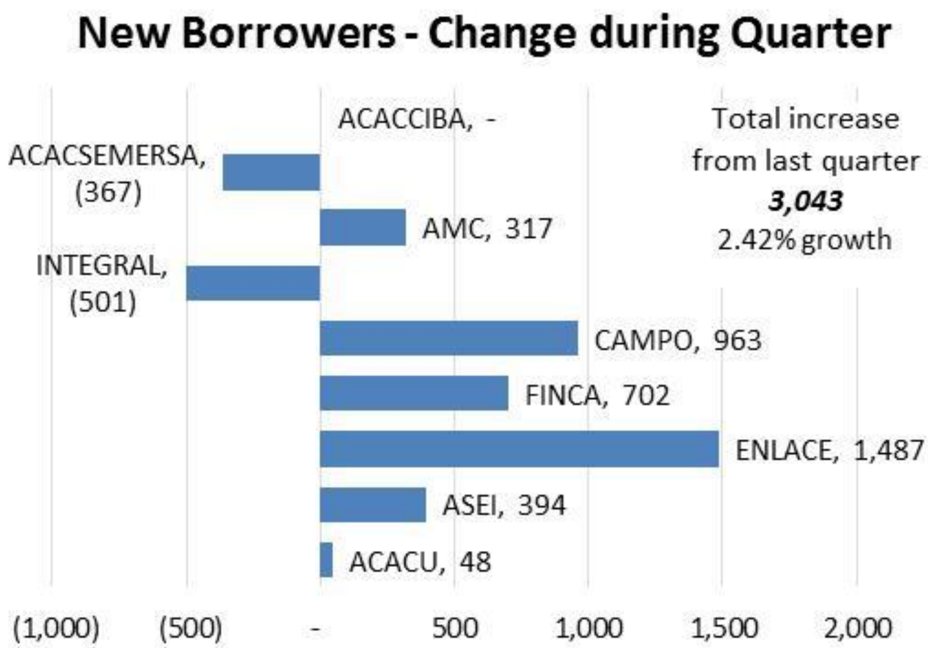
The totals for “Change From Baseline” denoted in the previous table, are represented in the following graph.



Below is shown the change between the previous quarter and this quarter. Partner institutions increased the number of borrowers by 3,043, including 1,701 new women and 1,342 new male borrowers:

BORROWERS: Variation Between Quarters - Segregated by Institution and Sex												
INSTITUTION	Baseline			June 30th 2013			Septembre 30th 2013			Change during Quarter		
	Female	Male	Total	Female	Male	Total	Female	Male	Total	Female	Male	Total
ACACU	3,365	2,436	5,801	3,497	2,533	6,030	3,525	2,553	6,078	28	20	48
ASEI	8,309	1,766	10,075	8,900	1,905	10,805	9,180	2,019	11,199	280	114	394
ENLACE	29,425	8,538	37,963	33,013	8,102	41,115	34,041	8,561	42,602	1,028	459	1,487
FINCA	6,057	2,165	8,222	8,959	2,911	11,870	9,516	3,056	12,572	557	145	702
CAMPO	3,939	5,586	9,525	4,725	6,174	10,899	5,091	6,771	11,862	366	597	963
INTEGRAL	26,952	5,520	32,472	16,035	12,753	28,788	15,523	12,764	28,287	(512)	11	(501)
AMC	8,361	6,055	14,416	7,363	5,433	12,796	7,562	5,551	13,113	199	118	317
ACACSEMERSA	1,827	1,257	3,084	1,888	1,311	3,199	1,643	1,189	2,832	(245)	(122)	(367)
ACACCIBA	1,398	938	2,336	-	-	-	1,398	938	2,336	-	-	-
TOTAL	88,235	33,323	121,558	84,380	41,122	125,502	86,081	42,464	128,545	1,701	1,342	3,043

The totals for "Change From Baseline" denoted in the previous table, are represented in the following graph.



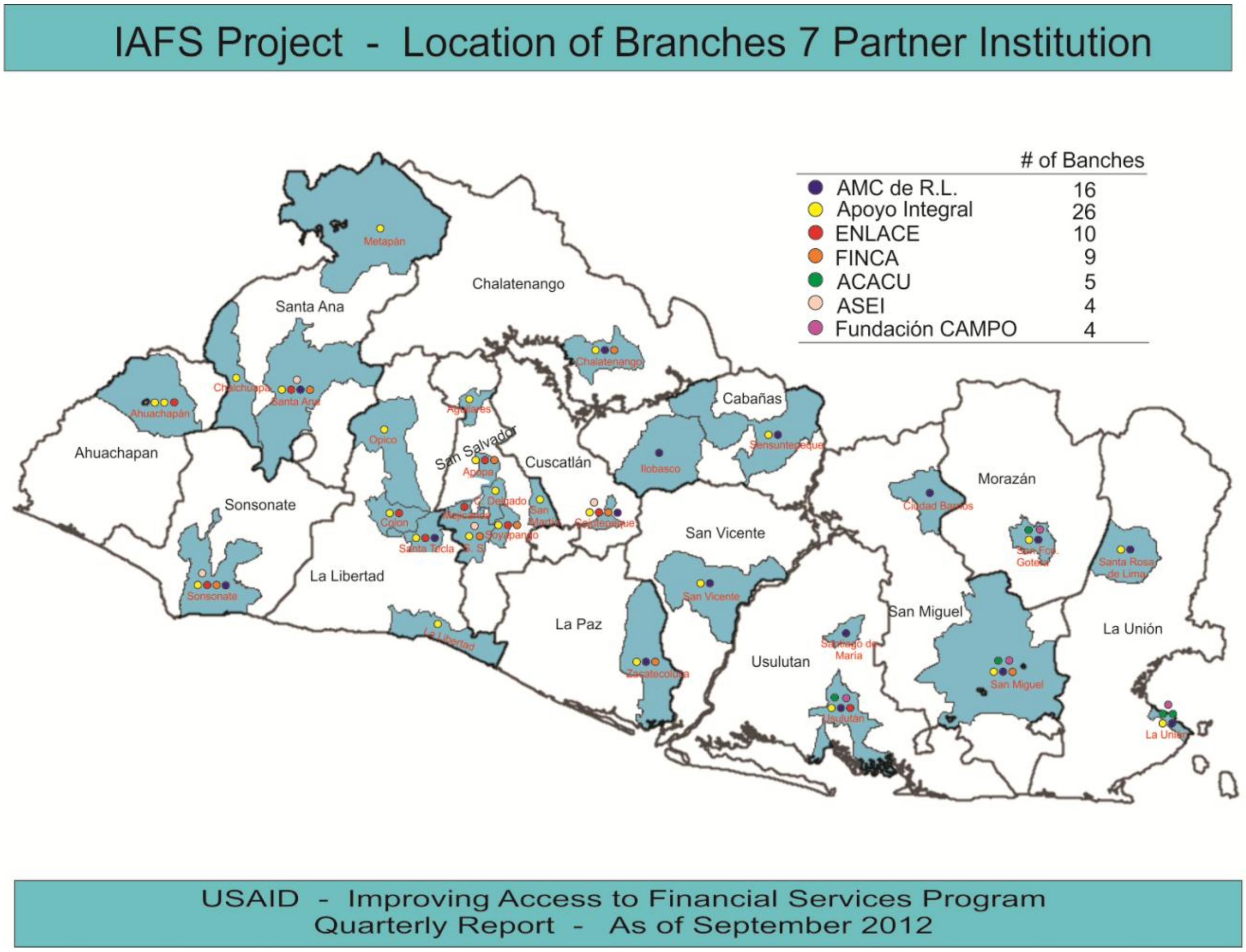
Similarly to the previous quarter, two institutions report a decrease in borrowers for the period July – September, 2013. INTEGRAL attributes their result to competition with agricultural credits offered by government programs providing subsidized lines of credits. Furthermore, they are writing-off their oldest delinquent loans. The minor decline for ACACSEMERSA reflects standard fluctuations for this credit unions: its borrowers are members so client desertion is not an issue for this partner.

INDICATOR: 2.3.2 - Number of new savers from USG assisted NBFIs			
UNIT OF MEASURE: Number of people	FISCAL YEAR	PLANNED TARGET	ACTUAL RESULT
SOURCE: Apoyo Integral Savings Database	2012	0	0
INDICATOR DESCRIPTION: For the institutions offering Saving products, this indicator will measures the number of new micro and small enterprise Savers. Using the IAFS Performance Monitoring tool, all new clients will be counted, defining "New" as any client who opens a savings account under the new or improved product or service.	2013	450 Total 293 Female 65% 157 Male 35%	5,378 Total 3,113 Female 58% 2,265 Male 42%
OPERATIONAL PLAN STANDARD INDICATOR: YES _______ NO __XX____	2014	350 Total 227 Female 65% 123 Male 35%	
PROGRAM AREA: KRA 2.3 - NBFIs staff capacity improved for delivering new products and methodologies for MSE financial services.			
PROGRAM ELEMENT:	**Totals**	800 Total 520 Female 65% 280 Male 35%	5,378 Total 3,113 Female 58% 2,265 Male 42%
METHOD OF DATA COLLECTION: IAFS project will gather; process and validate the NBFIs portfolio details database and will include this indicator in the quarterly report that it will submit to USAID/El Salvador.	For this indicator the baseline is Zero (0), starting to count new Savers as of December 31st, 2012, the date on which technical assistance related to Savings started. For this indicator only data from Apoyo Integral is being considered at the moment, since this is the only institution which has received STTA specifically related to savings. As of September 2013, the number of new savers totaled 5,378; 58% female and 42% male. Results are significantly above the LOP deliverable of 800 new savers.		
FREQUENCY/SCHEDULE OF DATA COLLECTION: Quarterly.			
RESPONSIBLE FOR DATA COLLECTION: Project M&E specialist.			

The following table shows the detail of new savers segregated by institution and sex. As described in the Intermediate Results Indicate sheet presented previously, this indicator counts savers only from institutions which have received technical assistance designed specific ally to strengthen their savings and deposits areas and products. At present, this refers solely to INTEGRAL. The baseline for this indicator is zero (0) and counts savers as of December 31st 2012, the date after which technical assistance to Apoyo Integral for savings began.

Indicator 2.3.2 -Number of new Savers from USG assisted MFIs	Baseline December 31th 2012			Sep 30th 2013			Difference		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Sociedad de Ahorro y Crédito Apoyo Integral, S.A.	5,487	3,942	9,429	8,600	6,207	14,807	3,113	2,265	5,378
							57.9%	42.1%	100.0%

IAFS Project Geographic Coverage

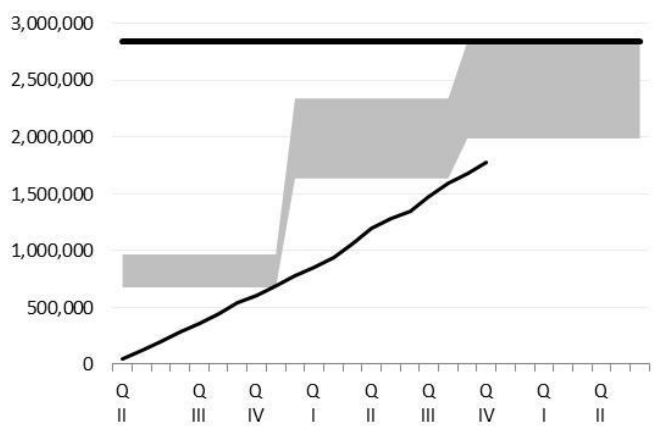


V. FINANCIAL INFORMATION

During Fiscal Year II, Project administrative efficiencies and tight budget controls allowed more than $100,000 to be transferred out of indirect costs and into technical assistance activities for our Project partners

Working in close coordination, the Project team of GBSI and WAI were able to generate an important reallocation of the Project's budget, taking advantage of savings in projected indirect costs to allow the Project to offer more direct technical assistance to Project partners. There is a direct relationship between the Project's close working relationship among team members, the very close monitoring of expenditures by both companies, and the fact that most contract deliverables have been exceeded without any additional resources from USAID.

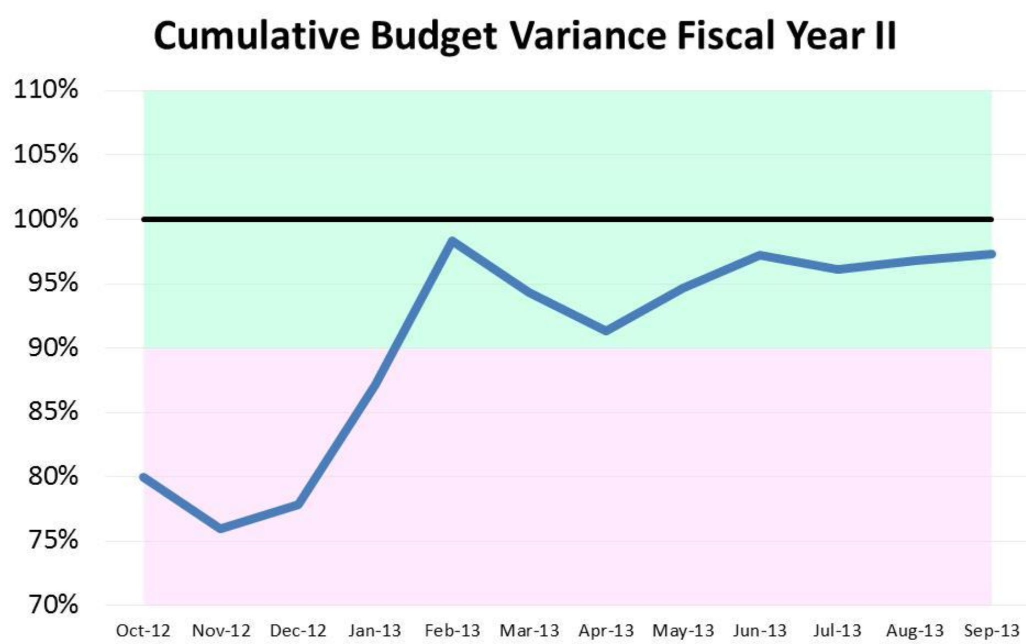
As far as overall Project expenditures are concerned, the graph at right summarizes the following financial information:



- The thick, horizontal black line in the uppermost portion of the graph indicates the total value of the Contract: $2,837,510;
- The thin, ascending black line represents the cumulative amount of expenditures as of September 30th, 2013: $1,836,486.64;
- The x-axis indicates the duration of this Project: 27 months, providing an easy visual cue pertaining to the progress of the Project vis-à-vis the total time period of this contract.
- The gray portion of the graph displays the range consisting of 70%-100% of the funds which have been obligated. Three obligations can be inferred from the graph, as well as their timing and their relationship with project expenditures. The initial obligation of $966,000 carried the Project through most of Fiscal Year I. The second obligation raising the total obligated amount to $2,337,510 occurred on August 26th, 2012 just as the Project was surpassing 70% of the previous obligation. The third and final obligation of $500,000 was signed on July 23rd, 2013. This obligation also occurred just as the Project was once again approaching 70%

of the previously-obligated amount. This graph has been included in every voucher submitted by GBSI to USAID in order to facilitate USAID's monitoring of the Project's budget, expenditures and obligations. The graph possibly contributed to the fact that USAID has administered its obligations, from the perspective of the Project, perfectly. This allowed the Project to focus exclusively on exceeding all contract deliverables. The success of this Project reflects a team effort between the Project team and USAID.

The Financial Management of the Project has successfully maintained expenditures within the projected budget submitted to USAID. During Fiscal Year II cumulative project expenditures were within five percent of projections, as can be seen below:



For Fiscal Year III, the Project has developed a special budget file which provides even tighter control over Project technical assistance obligations to its partners. The objective is to provide as much practical technical assistance to institutional partners as the budget allows, but not a penny more.

Finally, the cumulative Burn Rate through September 30th 2012 is shown below.

GLOBAL BUSINESS SOLUTIONS, INC

AID-519-C-12-00001

Burn Rate USAID Improving Access to Financial Services Project

LINE ITEMS	Obligated Contract Budget	Expenditures thru September 30, 2013	Mortgage
Labor	$ 497,540.00	$ 355,383.26	$ 142,156.74
Fringe Benefits	$ 373,070.00	$ 231,837.30	$ 141,232.70
Other Direct Costs	$ 193,664.00	$ 105,278.23	$ 88,385.77
Sub-Contracts	$ 1,085,798.00	$ 665,476.84	$ 420,321.16
Indirect Costs	$ 526,236.00	$ 354,826.09	$ 171,409.91
Total Estimated Cost	$ 2,676,308.00	$ 1,712,801.72	$ 963,506.28
Sub-Contract Admin Fee	$ 54,290.00	$ 33,474.29	$ 20,815.71
Fixed Fee	$ 106,912.00	$ 90,210.62	$ 16,701.38
TOTAL Estimated Cost Plus Fixed Fee	$ 2,837,510.00	$ 1,836,486.63	$ 1,001,023.37

Annexes

A. Fiscal Year III Work Plan Calendar of Activities

B. Estimated Annual Work Plan Budget Fiscal Year III

C. Converting Fundación Campo into Deposit-Taking CREDICAMPO

D. Regulatory Requirements of the Superintendency of the Financial System

E. FINCA Institutional Assessment

F. Participant Training Results FY II

G. EQUIFAX Reports

H. Activities Carried Out to Secure AMC Credit Card Authorization

I. MIDO Mobile Financial Services Proposal for ENLACE

J. AMC Software Migration Report

K. FUNDAMICRO Proposal for SFS-compliant Accounting Software

L. ASEI Legal Transformation Report

M. ACACSEMERSA Market Study

N. Micro Insurance Presentation

O. USAID Approvals Fiscal Year II