



CHEMONICS INTERNATIONAL INC.

**Peru Increasing Microfinance for the Poor Activity  
SEGIR Financial Services IQC  
OUT-PCE-I-00-99-00007-00, Task Order 812**

**Quarterly Performance Report No. 2**

**October 1, 2002 – December 31, 2002**

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January 24, 2003

## **OCTOBER - DECEMBER 2002 QUARTERLY REPORT**

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### **SEGIR Financial Services/Peru IMPACT**

Under the Financial Services Indefinite Quantity Contract (IQC), on June 19, 2002 the Chemonics consortium was awarded a task order to provide financial services in support of the “Increasing Microfinance for the Poor Activity” (IMPACT) in Peru (Contract No. OUTPCEI00990000700, Task Order 812). The contract is being implemented by Chemonics International Inc., as the lead firm, and Ohio State University, Shorebank Advisory Services, J.E. Austin Associates, and International Consulting Consortium as subcontractors. The duration of the task order is about two years, during which time we anticipate contracting consultants to deliver technical assistance to improve the quality of performance of Peru's microfinance institutions and their financial and regulatory environment. The assignments, as conceived by USAID, are divided into intensive, focused, and quick technical assistance services. Intensive assignments are structured to work with a client periodically over about nine months (MITA); focused assignments will be shorter and more precise in nature, lasting about a month (FTA); and the latter (quick) is contemplated to be a week in duration and include diagnostics, training courses, lectures and interviews, market research, focus groups, and interviewing key policy makers (QTA). The subject matter will vary, but will include: credit technology, new product development (credit and savings), new financial services (insurance, housing, money transfers), management information systems, governance structures, mergers and strategy, regulation and supervision, prudential norms, expanding credit reference systems, and creating second tier funding mechanisms.

This report summarizes Chemonics/IMPACT's activities during its second quarter, describes any problems which have arisen during implementation, outlines solutions to problems and presents a preview of the activities to be undertaken during the next quarter. It also contains a summary of level of effort and expenditures, by quarter and cumulative through the life of the project.

#### **A. Activities During the Quarter**

This section presents an overview of the quarter's technical accomplishments, deliverables submitted and consortium management.

##### **A1. Technical Accomplishments**

During this second quarter of the task order, Chemonics continued close communications with COPEME and USAID to coordinate several successful short-term assignments, including the PRISMA activity, the Andean Microfinance Training Course, the Risk Seminar in Arequipa, and the Evaluation of Solucion Financiera's CRECER product and microfinance program. The Project Administrator for Chemonics/IMPACT, Michelle Rodríguez, traveled to assist in the logistical arrangements of the Andean Microfinance Training Course, as well as to meet with COPEME and USAID to discuss activities for the first and second quarters of 2003. These activities are detailed in section B.

The following is a summary of the consultancies that took place during this quarter.

#### **A1a. PRISMA Financial and Operational Governance (MITA)**

During the quarter, the consultant selected to provide technical assistance to PRISMA, Gonzalo Puente, made his first two trips to Peru. During his first trip, Mr. Puente met with representatives from PRISMA, COPEME and USAID, which enabled him to become more familiar with the microfinance situation in Peru as well as the specific details related to PRISMA. In the first trip, he led three workshops during which various discussions were held and decisions were made. The participants concluded that PRISMA needed to separate its micro credit activities from its overall program. Preliminary goals and indicators for the new institution were agreed upon and a strategic business plan was developed that would allow a smooth implementation of the required changes. Furthermore, Mr. Puente worked with PRISMA to finalize the terms of reference for a local company to work with PRISMA directly in analyzing its operations and internal control and providing additional recommendations for improvement. He also participated in the evaluation committee that selected MEDA consulting to undertake the assignment.

During his second trip, Mr. Puente lead two other workshops, where the issues of internal control (persisting weaknesses, policy manual, risk) and village banking methodology, (including the role of credit analysts) were discussed. A follow-up plan for the implementation of Mr. Puente's recommendations was developed and will be monitored throughout the remainder of the consultancy to ensure that PRISMA is adhering to its commitments. Mr. Puente has submitted trip reports for each of the two trips to Peru detailing the activities undertaken as well as conclusions and recommendations. He has also been in constant communication via email and in-country with MEDA, ensuring that activities are being closely coordinated. His next trip will be in late January of 2003.

#### **A1b. Andean Microfinance Training Course (QTA)**

The Andean Microfinance Training Course, which was sponsored by USAID and COPEME, was carried out November 4-15, 2002. The training program focused on exposing microfinance institution managers to the tools and methodologies necessary to achieve long-term, sustainable growth. Claudio Gonzalez-Vega (OSU) was recruited to instruct a course on Microfinance and the Enabling Environment. The course was based loosely on the course entitled *Microcredit and Financial Liberalization* at the Boulder Microfinance Training Program and focused on how the microfinance sector has evolved from a purely informal means of intermediation to an important dimension of financial markets. Chemonics contracted Laura Frederick to conduct the course on Information Management for Microfinance, which focused on the role of information management in achieving operational efficiency, increased productivity and reducing risk, and examined key elements in the design, programming and implementation of information systems. Lorna Grace (SAS) was the instructor for the Product Costing and Activity Based Costing course. This course was based on the course offered at the Boulder Microfinance Training program, with the objective to "provide participants with a practical tool to better understand costs of microfinance products in order to make informed decisions about pricing, product design, mix and delivery strategy." The Financial Management course was instructed by Luis Bocchio (Chemonics), who presented the key aspects of best practice financial management,

including macro issues such as strategy, funding sources and treasury management, and micro issues such as the design and use of analysis tools for financial planning, implementation and control for Microfinance. The last course was on Human Resources for Microfinance and was conducted by Rosa Poso, and was sponsored by COLCAMI.

The two-week course was attended by approximately 25 representatives from numerous microfinance institutions in Peru. Evaluations of the course and instructors are included in Annex 1.

#### **A1c. Caja Municipal de Arequipa: Seminario de Riesgos (QTA)**

Javier Fernandez, Deputy Director of Supervisión of Non-bank Financial Intermediaries, from the Bolivian Superintendency of Banks and Financial Intermediaries, delivered a two hour presentation at the Risk Seminar on November 7-8 in Arequipa. His presentation focused on understanding the differences between commercial banks and MFIs (client base, lending models, ownership structure); exercising effective oversight (protecting against fraud, sanctioning insolvent institutions, organizing for supervision); and balancing between establishing strong minimum standards and being flexible and innovative. Mr. Fernandez used Bolivia as a case study for exploring the role of risk in regulating and supervision MFIs, focusing on the Superintendency's role in supervising: portfolio risk (minimum capital, capital adequacy, liquidity, asset quality and portfolio diversification), ownership and governance, and management risks. It highlighted the pros and cons of the Bolivian credit bureau in creating and/or mitigating against risk.

#### **A1d. Financiera Solucion: Evaluation of CRECER (FTA)**

In November, Dinos Constantinou, the consultant selected by Financiera Solucion, USAID and Chemonics to undertake this assignment, traveled to Peru for a four week period. Early in the assignment, Mr. Constantinou worked closely with Financiera Solucion and refocused the original scope of work based on their actual immediate needs. Not only did Mr. Constantinou conduct an analysis of the CRECER portfolio, but he also carried out a detailed assessment of the Financiera Solucion's operational inefficiencies, developing a strategic plan for its improvement. His draft report was issued at the end of the quarter. Details of the conclusions and recommendations will be presented next quarter when the report is finalized.

#### **A2. Deliverables Submitted**

“Consolidación de Cambios de Gestión, Tecnología crediticia y Gobernabilidad para un Crecimiento Sostenible, Informe Primera Visita,” Gonzalo Puente

“Consolidación de Cambios de Gestión, Tecnología crediticia y Gobernabilidad para un Crecimiento Sostenible, Informe Segunda Visita,” Gonzalo Puente

### A3. Consortium Management

Chemonics was active during the quarter ensuring that consultants received the appropriate logistical support and that assignments took place on schedule. As part of her trip to Peru, Ms. Rodríguez met with Armando Pillado and Ana Jiménez of COPEME to discuss possible activities for the first and second quarters of 2003. These activities are listed in Section B.

Also related to consortium management, Chemonics negotiated and signed sub-task orders with Ohio State University and Shorebank Advisory Services for their participation in the Andean Microfinance Course.

### B. Technical Activities Planned for Next Quarter

During the next quarter it is anticipated that Gonzalo Puente's assignment assisting PRISMA will continue as scheduled. As a result of the successful delivery of the Information Management Course led by Laura Frederick, several activities in this subject are being planned as well. These include assisting the Caja Municipal de Maynas in assessing their information management needs and choosing appropriate software; organizing and coordinating a TecnoFeria to take place in the second quarter; and having an information management specialist, such as Laura Frederick, serve as an advisor to COPEME and Peruvian MFIs on the installation and implementation of the SAFI/CACTUS software system. Also as a result of Product Costing Course in the Andean Microfinance Course, a possible activity during next quarter is to assist the Caja Rural de Arequipa and the EDPYME Nueva Vision to monitor the implementation of the ABC costing model. Furthermore, it is anticipated that Chemonics will prepare terms of reference and recruit a consultant for a training course in CAMEL PLUS.

### C. Problems and Proposed Solutions

No technical problems were encountered during the quarter.

On the programmatic side, Chemonics would like to make USAID aware that expenditures to date (level of effort) are less than anticipated and are not keeping pace with the period of time elapsed to date. We recommend that USAID, COPEME and Chemonics work closely together to generate demand for services over the next quarter.

### D. Level of Effort and Financial Summary

The following charts provide financial and level of effort summaries for the period of October 1 through December 31, 2002.

LINE ITEM	TOTAL BUDGET	EXPENSES THIS QUARTER	CUMULATIVE EXPENSES	REMAINING BALANCE
Work Days Ordered	\$ 781,367	\$ 59,731	\$ 74,937	\$ 706,430
Total Materials	\$ 283,977	\$ 13,455	\$ 15,777	\$ 268,200
<b>TOTAL COSTS</b>	<b>\$ 1,065,344</b>	<b>\$ 73,186</b>	<b>\$ 90,714</b>	<b>\$ 974,630</b>
Percentage of contract invoiced through December 31, 2002:			8.51%	
Percentage of time elapsed through December 31, 2002:			33.33%	

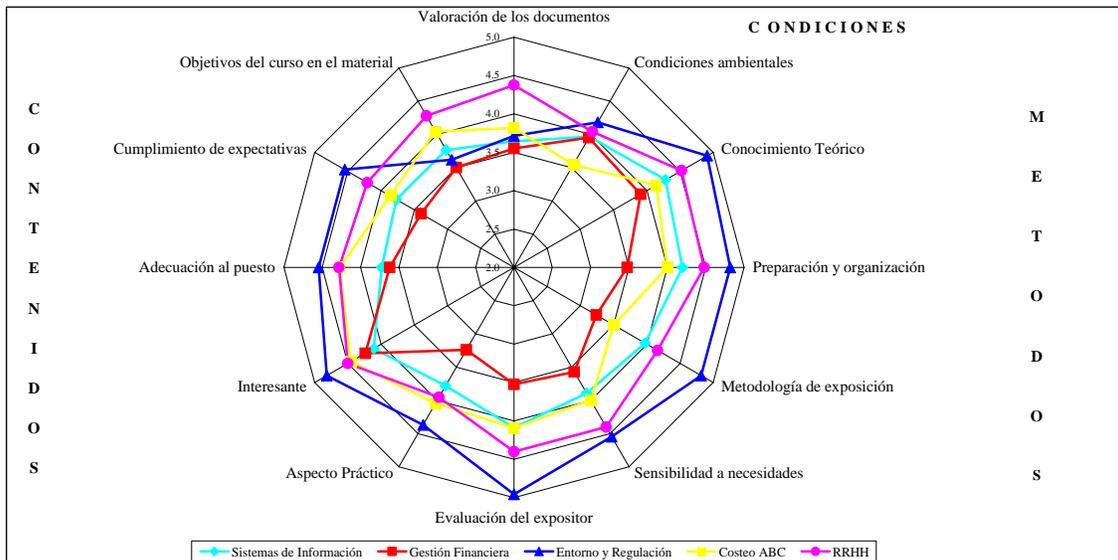
<b>Functional Labor Category</b>	<b>Days Budgeted</b>	<b>Days Committed</b>	<b>Days invoiced in quarter</b>	<b>Days invoiced to date</b>	<b>Days Remaining to invoice</b>	<b>Days Remaining in budget</b>
Financial Analyst	513	177	65	85	92	336
Marketing Specialist	100	0	0	0	0	100
Attorney	58	0	0	0	0	58
Communications Specialist	36	0	0	0	0	36
Elect. Info. Magmt. Specialist	21	0	0	0	0	21
Accountant	8	0	0	0	0	8
<b>TOTAL</b>	<b>736</b>	<b>177</b>	<b>65</b>	<b>85</b>	<b>92</b>	<b>559</b>
Percentage of total LOE comitted through December 31, 2002:				24.05%		
Percentage of time elapsed through December 31, 2002:				33.33%		

<b>LOE SUMMARY</b>		
<b>Days Budgeted</b>	<b>Days Committed</b>	<b>Days Remaining in Contract</b>
736	177	559

# Annex 1. Evaluations of Andean Microfinance Training Course and instructors

PUNTUACION OBTENIDA EN EL CURSO MICROFINANZAS ANDINO  
POR TEM,AS TRATADOS

Nº	Pregunta	Sisteamas de Información (Laura Fredreck)	Gestión Financiera (Luis Bocchio)	Entorno y Regulación (Cladio Gonzales)	Costeo ABC (Lorna Grace)	RRHH (Rosa Posso)
1	Valoración de los documentos	3.6	3.6	3.7	3.8	4.4
2	Condiciones ambientales	4.0	4.0	4.2	3.5	4.0
3	Conocimiento Teórico	4.3	3.9	4.9	4.1	4.5
4	Preparación y organización	4.2	3.5	4.8	4.0	4.5
5	Metodología de exposición	4.0	3.2	4.8	3.5	4.2
6	Sensibilidad a necesidades	3.9	3.6	4.5	4.0	4.4
8	Evaluación del expositor	4.1	3.5	5.0	4.1	4.4
7	Aspecto Práctico	3.8	3.2	4.4	4.0	4.0
9	Interesante	4.1	4.2	4.8	4.5	4.5
10	Adecuación al puesto	3.7	3.6	4.5	4.3	4.3
11	Cumplimiento de expectativas	3.8	3.4	4.5	3.9	4.2
12	Objetivos del curso en el material	3.8	3.5	3.6	4.0	4.3
13	Traducción del ingles al castella	4.0			3.4	



Nota: En la medida que los puntos se acercan a la periferia formado por el gráfico la valoración obtenida es muy buena y / o excelente

**TABLA DE CALIFICACION**

5	Excelente
4	Bueno
3	Regular
2	Malo
1	Muy Malo