



USAID
DEL PUEBLO DE LOS ESTADOS
UNIDOS DE AMÉRICA

MEXICO

AFIRMA Year 3 Work Plan

January – December 2007

December 2006

The AFIRMA Project, managed by Development Alternatives, Inc. prepared this publication for review by the United States Agency for International Development.

AFIRMA Year 3 Work Plan

January – December 2007



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

CONTENTS

- 1. Introduction 1**
- 2. Task 1 - Strengthen MFI Capacity..... 3**
 - 2.1 AISol 4
 - 2.2 AMUCSS 5
 - 2.3 CADEMI 5
 - 2.4 Caja Libertad 6
 - 2.5 CAME 7
 - 2.6 Compartamos 7
 - 2.7 DESPENO 8
 - 2.8 FIMEDER 9
 - 2.9 FINCA México 10
 - 2.10 FinComún 11
 - 2.11 Fondo 5 de Mayo 11
 - 2.12 ProMujer México..... 12
 - 2.13 ProNegocio 13
- 3. Task 2 - Develop Local, Commercially-based MFI Support Services 14**
 - 3.1 Contracting Local Consultants and Firms..... 14
 - 3.2 Microfinance-Specific Skill-Building and Linkages..... 15
 - 3.3 Mentoring Program..... 16
 - 3.4 ProDesarrollo 17
- 4. Task 3 - Support Innovations to Expand Access to Rural and Agricultural Finance 18**
 - 4.1 Launch i-FAR Fund..... 18
- 5. Task 4 - Strengthen the Regulatory environment for micro- and rural finance..... 20**
- 6. Task 5 - Strengthen the micro- and rural finance industry 20**
 - 6.1 Market Research 21
 - 6.2 Mapping Initiative..... 21
 - 6.3 Support Relevant GoM Microfinance Initiatives 22
 - 6.4 AFRIMA Bi-Annual Partner Meetings and Technical Workshops..... 23
 - 6.5 Performance Monitoring and Reporting..... 23
- 7. Project Management 23**
 - 7.1 Project Administration..... 24
- 8. Annex A: i-FAR Launch Gantt Chart (Task 3) 26**

Index of Tables

Table 1 – AISol	4
Table 2 – AMUCSS.....	5
Table 3 – Caja Libertad	6
Table 4 – CAME.....	7
Table 5 – Compartamos.....	8
Table 6 – Despeno	9
Table 7 – FIMEDER	10
Table 8 – FINCA Mexico	10
Table 9 – FinComún.....	11
Table 10 – Fondo 5 de Mayo.....	12
Table 11 – ProMujer Mexico.....	13
Table 12 – Microfinance-Specific Skill-Building program: Human Resources.....	15
Table 13 – IPN Mentoring Program.....	16
Table 14 – ProDesarrollo	17
Table 15 – i-FAR Fund	19
Table 16 – Regulation and Supervision of Microfinance.....	20
Table 17 – Market Research.....	21
Table 18 – Mapping	22
Table 19 – Support GoM Microfinance Initiatives	22
Table 20 – AFIRMA bi-annual meetings and technical workshops.....	23
Table 21 – Performance monitoring and reporting.....	23

I. INTRODUCTION

The Access to Rural Finance for the Microenterprise (AFIRMA) Project, a USAID-funded project implemented by Development Alternatives, Inc. (DAI), forms a central part of USAID/Mexico's Results Framework, under the new regional Strategic Objective (SO2) for Central America and Mexico: **Economic Freedom: Open, Diversified Expanding Economies**. Under SO2, AFIRMA contributes to Intermediate Result 3: **Broader access to financial markets and services**. The project's mission can be summarized as:

Contribute to the development of a dynamic, effective microfinance sector in Mexico that provides sustainable financial services to under-served urban and rural market segments, helping them manage risk and contribute to local economic growth.

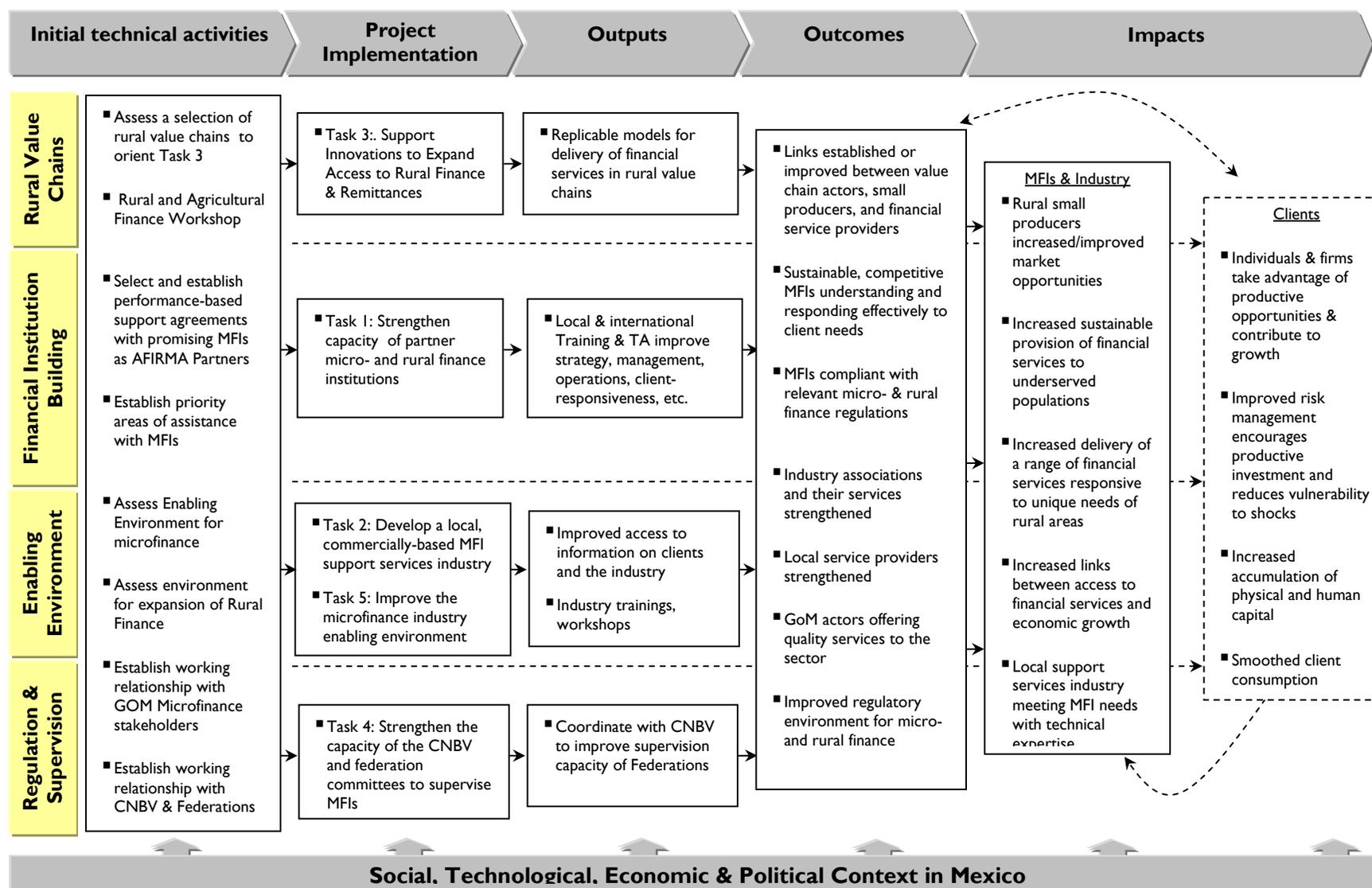
AFIRMA has five interrelated tasks:

1. Strengthen the institutional capacity of partner microfinance institutions (MFIs);
2. Develop local, commercially-based MFI support services;
3. Spur innovations to expand access to rural and agricultural financial services
4. Strengthen regulatory authorities and mechanisms to supervise microfinance;
5. Improve the enabling environment for the rural and microfinance industry.

These tasks and their connections to project goals are outlined in the Performance Monitoring Plan, updated in January 2006 to meet the Mission's new strategic objectives and intermediate results. Figure I shows a causal model, unchanged from 2006, demonstrating how these tasks fit together.

This annual work plan is a result of ongoing consultation with AFIRMA's counterpart at USAID, Development Finance Advisor Geoffrey Chalmers, continuous coordination with AFIRMA partners in response to strategic plans of each partner, and of AFIRMA's annual planning meetings held December 19-20 in which Mr. Chalmers participated along with the entire locally-based AFIRMA team. It outlines planned activities for the next 12 months: January-December 2007, with a separate section dedicated to each of the five tasks listed above, as well as a section on overall project management.

Figure 1 – Causal Model from the AFIRMA Performance Monitoring Framework



2. TASK I - STRENGTHEN MFI CAPACITY

AFIRMA will continue to deliver tailored technical assistance programs to a diverse group of 13 partner microfinance institutions (MFIs)¹ in 2007. The project recognizes that the 13 Task I partners represent a small subset of the hundreds of “popular finance”² institutions in Mexico, but considers that most partners show potential for leadership in one or more aspects important to the development of microfinance in Mexico, such as significant scale, rural outreach, and/or potential for innovation and demonstration-effects. USAID and AFIRMA recognize the potential trade-offs between achieving the greatest number of new clients with access to service (the project goal is 500,000) and working with difficult-to-serve poorer and rural clients, where total growth may be slower and where institutions may require substantial capacity-building before growing.

The project strategy to work with institutions of different types, sizes and target markets, and the diverse institutional development needs of these institutions gives AFIRMA a window into many different aspects of the market, such as the various players serving different geographical and socio-demographic niches. Therefore, AFIRMA’s role in monitoring (both quantitative and qualitative) developments among Task I partners and in the market more broadly (beyond MFI partners, and beyond microfinance) is essential to understanding how shifting market dynamics may affect partners, and how AFIRMA’s work with individual partners (Task I) and industry-level initiatives (Tasks 2-5) must adapt as the market changes. The project played an important role in helping partners respond to rapid changes in 2006 in areas such as understanding strategies of diverse new entrants in the consumer lending and microfinance segments, regulatory changes, and increased sharing of clients in certain local markets. These are all dynamics that will continue into 2007 and must continue to be monitored.

For 2007 AFIRMA maintains all of the previous principles of support under Task I, and adds the concept of “declining subsidy” (see box), an issue that has been discussed with each partner and is included in the partnership agreements.

Last year assistance to Task I partners focused on areas that each partner prioritized in coordination with AFIRMA. Although AFIRMA delivered a wide variety of assistance, reflecting the diversity of partners mentioned above, some common themes emerged.

Focus thus far on strategic planning, product development and refinement, human resource management, information systems, among others as described in the 2006 Annual Report. In 2007, the project will work as needed in those areas but sees many of the partners advancing into “next generation” of institutional needs, for example: developing new business models and delivery channels for expansion into underserved areas, increased focus on developing human resources both at the institution and the industry levels, risk management, market intelligence, and using information technology to shift the way clients are identified and business is transacted.

Core principles of AFIRMA support of Partners

- **Respond to sound business plans**, owned by partners, addressing needs and capacity for growth and sustainability.
- **Demand-based approach** – respond proactively to the needs of each partner within the framework of business plans and project objectives,
- **Maintain flexibility** to respond to the changing market conditions and partner needs.
- AFIRMA consultants are **facilitators of change**, but partners themselves take ownership of the processes and changes.
- **Continue support based on results**, responsiveness, openness to change, co-investment and capacity to absorb assistance.
- **Declining subsidy** – Partners are asked to make increasing, real contributions to the AFIRMA assistance over time.

¹ AISOl, AMUCSS, CADEMI, Caja Libertad, CAME, Compartamos, DESPENNO, FIMEDER, FINCA México, FinComún, Fondo 5 de Mayo, ProMujer México, ProNegocio

² The term “popular finance” is used interchangeably in Mexico with “microfinance”, broadly defined (e.g. beyond microcredit) and includes the hundreds of credit unions (*cajas*) operating in Mexico.

Plans for each institution over the period January-December 2007 are outlined below. For budgetary reasons (in terms of the timing of funding obligations from USAID) some of the activities have been extended well into 2008. For background information on the performance and relationship with each institution and activity, see the AFIRMA 2006 Annual Report.

ALSOL

Alternativa Solidaria de Chiapas (AISol), an NGO using the Grameen group lending methodology based in San Cristobal de las Casas, is an NGO focused on serving indigenous women of Chiapas, many of whom live in rural areas and do not speak Spanish. AFIRMA technical assistance with AISol in years 1-2 focused on building the foundations for growth, including developing a long-term strategy and operational business plans, assisting with product and operational adjustments, definition of the organizational structure, board training, and development of manuals and internal controls.

AISol has responded extremely well to the assistance and, consistent with the institution's strategic plan and AFIRMA will support the projects outlined in the table below. Given AISol's recent strong growth and evolving institutional needs, it will be necessary to remain flexible to respond to new needs as they arise. Also, given capacity to absorb technical assistance, some of the projects below may extend into 2008. **Nathanael Bourns** will be responsible for overall coordination of AFIRMA's technical assistance with AISol and will coordinate the following activities:

Task	Outputs	Responsibility	AFIRMA Resources	Dates
Definition of a New Management Information System	<ul style="list-style-type: none"> Complete cost/benefit analysis of MIS user needs and systems options Signed contract for a system meeting AISol's long-term needs, considering current planned growth, products, and controls. 	Bourns	Carlos Paredes (40 days) Veronica Corzo (local consultant, 80 days)	Jan-May 2007
Human Resources Strategy	<ul style="list-style-type: none"> HR diagnostic, outlining specific strategies to follow to ensure the HR capacity to meet institutional plans Institution-wide training plan Systematization of AISol's training modules 	Bourns & Martinez	Eliana Otondo (20 days) Claudette Martinez (15 days)	Apr-Jun 2007
Operations study tour	<ul style="list-style-type: none"> Operations manager, Internal auditor and Marketing manager see well established MFI in the region Experience and lessons learned presented to AISol staff 	Martinez	Cover expenses for 2 of the 3 travelers	Oct 2007
Field-based internal audit	<ul style="list-style-type: none"> Manual for field based audit Internal auditor trained 	Bourns	Rafael Tejeda or TBD (30 days)	Jul – Aug 2008
Board support	<ul style="list-style-type: none"> Ongoing support of board decision-making, in response to board requests Presentation on the costs and benefits of moving to a structure to mobilize voluntary savings 	Bourns	Fernando Fernandez (8 days) Willy Escobedo (3 days)	February – December 2007

Resident Operations Consultant	<ul style="list-style-type: none"> • Operations Manager trained • Decentralized processes, with necessary controls established for branch offices • Products refined according to market intelligence 	Bourns	TBD - Mid-level operations manager with good experience in a similar institution (260 days)	Jul 2007- Ago 2008
--------------------------------	--	--------	---	--------------------

AMUCSS

AMUCSS is a network of 7 *Micro Bancos* which operate somewhat independently, providing savings, credit and other services in isolated rural areas in southern Mexico, often in areas where there are no other financial service providers. AFIRMA assistance in years 1 and 2 has focused on designing accounting processes according to CNBV norms, helping to implement the same Management Information System in the 7 *microbancos*, identifying liabilities in the human resources area, redesigning credit policies, portfolio recovery, strategic planning, and working together with the FORD foundation to help determine the best legal and commercial figure for AMUCSS and the *microbancos*.

AMUCSS has responded well to AFIRMA support, although the current challenge is for them to determine their future legal and commercial status, a key factor for the organization's future growth and management. **Willy Escobedo** will continue to coordinate technical assistance for AMUCSS, with the following activities scheduled for 2007:

Table 2 – AMUCSS

Activities, Outputs, Responsibility and Resources

Task	Outputs	Responsibility	AFIRMA Resources	Dates
Identification of the Organizational Model (Strategic and Operative Plan)	<ul style="list-style-type: none"> • Organizational Model, establishing projections that will sustain the future of AMUCSS and the <i>microbancos</i> 	Escobedo	TCN I (25 days),	May – Jul 2007
Human Resources Support	<ul style="list-style-type: none"> • Strengthening of Human Resources administration 	Escobedo	30 days CCN	Sep- Oct 2007
Loan Product Development	<ul style="list-style-type: none"> • Improve credit technology, portfolio at risk, and training of current and future loan officers. 	Escobedo	Alejandro Fernandez (288 days)	Ago 2006- Ago 2007

CADEMI

CADEMI achieved profitability after only 1.5 years, very quickly for a microfinance institution, due to its high financial margins (even for the Mexican market) offering group loans to microenterprise clients in San Luis Potosí, and has formed the basis for successful operations and growth. However in 2005 their operational costs relative to loan portfolio increased, driving down profitability. This was compounded by increasing competition in their service region in 2006, compelling CADEMI to decrease its interest rate in San Luis Potosí and soon in other branches as well.

AFIRMA technical support to CADEMI in Years 1 and 2 focused on product adjustments, MIS selection, and internal controls, though support was suspended for much of 2006 while the organization clarified their legal and tributary situation. Once this process was completed and reviewed by the local tax and

accounting firm *Desarrollo Empresarial Anjona*, AFIRMA proceeded to support CADEMI's efforts to implement a new Management Information System.

Ivana Fertziger is responsible for coordinating AFIRMA's assistance to CADEMI, and after visits to CADEMI headquarters and several branches, discussed several technical assistance priorities with director Antonio Fonte. Currently Ms. Fertziger is currently working with CTO Geoffrey Chalmers and the AFIRMA team to re-evaluate AFIRMA's strategy for supporting this organization, in order to then determine the work plan for Year 3.

CAJA LIBERTAD

Caja Libertad, one of Mexico's largest credit unions, has a nation-wide presence and, like most credit unions, is most active in the segment of salaried workers, although it does have an active loan portfolio with micro and small enterprises. AFIRMA support to Caja Libertad has focused on developing the microcredit loan product, in addition to several other tasks, and into Year 3 microcredit implementation continues to be the primary technical assistance goal.

While advances with Caja Libertad have been somewhat slow in progress, AFIRMA has made substantial progress in supporting the Caja's efforts to develop their individual microcredit loan product, including the recent accomplishment of budget approval for the loan product, a key factor for ensuring the product's progress. Caja Libertad's management and board of directors have come to understand that microcredit loans are viable, profitable, and unique, paving the way for additional technical assistance on this issue.

For 2007, and including some projects scheduled for 2008, **Willy Escobedo** will be responsible for coordinating the following activities with Caja Libertad:

Task	Outputs	Responsibility	AFIRMA Resources	Dates
Microcredit pilot	<ul style="list-style-type: none"> Pilot product First loan disbursements 	Escobedo	10 days TCN (1 trip)	March and May, 2007
Individual Loan training	<ul style="list-style-type: none"> Training Improved level of loan analysis 	Escobedo	Escobedo 30 days (3 trips)	April – June 2007
Study tour to Ecuador	<ul style="list-style-type: none"> Observational study tour to support the board of directors in commercialization of the microcredit loan product. 	Escobedo/ Martinez	6 airline tickets / Hotel	Jan 2007
Credit Resident	<ul style="list-style-type: none"> Training of Caja Libertad leaders for commercialization and roll out of microcredit loan product 	Escobedo	220 days, TCN	Jun 2007- Jun 2008
Systematization of microcredit loan product	<ul style="list-style-type: none"> Include loan processes in the MIS 	Escobedo	Local Purchase Order 20,000	March – May 2008
Risk Management Unit	<ul style="list-style-type: none"> Risk management unit established within the CL organizational structure 	Escobedo	25 days TCN (2 trips)	Feb – Apr 2008

CAME

CAME is one of Mexico's largest microfinance institutions in terms of total clients, offering village banking group loans. Despite significant size and success, CAME needs to improve its product offering, operations and client retention.

CAME is still undergoing the lengthy process of implementing the Inova/FinMas management information system and AFIRMA has brought in several consultants to assist with system implementation. The first stage of the implementation advanced well, and continued into Year 2, with AFIRMA incorporating the support of Bolivian consultant Ricela Muñoz and several students from the Instituto Politécnico Nacional who participated in the pilot microfinance training course coordinated by AFIRMA.

Despite progress on the IT support, work with CAME has been slower than what AFIRMA had originally hoped, though the sense is that AFIRMA is gaining CAME's confidence little-by-little with a more formal and consistent advisory role. In Year 3, the primary goal is to help CAME complete the transition to FinMas. **Willy Escobedo** will be responsible for coordinating the following activities:

Table 4 – CAME

Activities, Outputs, Responsibility and Resources

Task	Outputs	Responsibility	AFIRMA Resources	Dates
FinMas System implementation	<ul style="list-style-type: none"> System fully implemented and functioning in headquarters and all branch offices 	Escobedo	44 days TCN (1 trips) Omar Flores (86 days)	Jan –Jun 2007
Systematization of Processes (manuals, procedures, etc.)	<ul style="list-style-type: none"> Systematization of operations processes and documents 	Escobedo	Local Contract (PO) (est. \$15,000)	Sept 2007
Individual Loan Product improvement and completion	<ul style="list-style-type: none"> Support in the product development, piloting, and roll-out 	Escobedo	Liliana Botega (41 days, 2 trips, with 25 days already used)	Julio 2007
Legal Structure & Transformation	<ul style="list-style-type: none"> Cost-Benefit analysis of different options for regulation 	Escobedo	Local short-term Purchase order with Local specialist in LACP (est. \$20,000)	Jun – Oct 2007
Incorporation of new partners/shareholders	<ul style="list-style-type: none"> Recommendations to increase equity in order to strengthen and improve CAME's capacity to face new market challenges 	Escobedo	Alex Silva (20 days and 2 trips)	Nov – Dec 2007

COMPARTAMOS

Compartamos continues to be a leader in microfinance in Mexico and in the region. In 2006, Compartamos continued to grow aggressively while also making important internal changes, such as conversion to a bank. Most of the growth continues to come from the primary village bank lending product, although the individual and solidarity group products that Acción has supported through AFIRMA are growing more quickly (albeit from a much smaller base). The scope of assistance to Compartamos in 2007 is limited, relative to the size of the institution, but is focused on areas that Compartamos, Acción and AFIRMA have identified as key for future growth.

AFIRMA subcontractor Acción International has the lead in delivering assistance to Compartamos. **Acción Vice President Monica Brand**, Acción's main coordinator with Compartamos, is leading the implementation of the projects below in coordination with **AFIRMA DCOP Nathanael Bourns**. All

consultants listed below are Acción consultants. USAID has approved 35 days for Ms. Brand's role in managing the projects outlined below, all of which have also been approved.

Table 5 – Compartamos
Activities, Outputs, Responsibility and Resources

Task	Outputs	Responsibility	AFIRMA Resources	Dates
Improve Efficiency and Productivity	<ul style="list-style-type: none"> Improved productivity of loan officers Growth in clients and portfolio for individual and solidarity group products New credit renewal models (ex.: Preferred credit line) 	Monica Brand	Wilmer Guevara (144 days) resident consultant +50% covered by Compartamos	Sept. 2006-June 2008
Product Development	<ul style="list-style-type: none"> Housing loan and insurance products piloted and respective manuals developed Refinement and Roll-out of piloted products Final manuals developed and new products on full offer 	Monica Brand	Mery Solares (35 days) Monisha Kapila (21 days) Raul Gomez (32 days) Wilmer Guevara (included above)	Sept. 2006-June 2007
Corporate image and communication	<ul style="list-style-type: none"> Development of a multi-product value proposition for clients (vs. current image as a 1-product business) Improved effectiveness in investments in communication and publicity 	Monica Brand	Nino Mesarina (35 days)	Sept. 2006-March 2007
Client Retention	<ul style="list-style-type: none"> Diagnostic of the drivers of client desertion Action plan for increased retention 	Monica Brand	Jacqueline Urquizio (31 days)	Sept 2006 – March 2007
Parametric models for market information and desertion	<ul style="list-style-type: none"> Segmentation of client niches currently served Parametric model (scoring) to understand probabilities of desertion 	Monica Brand	Alexandra Zubria (26 days) Derly Duran (76 days)	Sept 2006 – May 2007

DESPENO

Despeno, a private finance company, has roots in the agricultural economy of Sinaloa, with agricultural lending experience, in-depth knowledge of the rural economy of the region. Changes in the way that the GoM program FIRA operates (elimination of what was previously a 90% guarantee on agricultural loans made with a FIRA line of credit) have caused major shift from Despeno's focus on agricultural lending towards traditional solidarity group lending to urban and semi-urban microentrepreneurs, a relatively new area for the company.

Despeno has responded well to AFIRMA technical assistance, allowing for substantial accompaniment by AFIRMA staff, with major strides accomplished in recent months. Despeno is finally making efforts to restructure the organization towards more weight in the operational area. In addition, AFIRMA has worked with Despeno director to set goals for the operational and administrative areas in order to reach equilibrium point in August 2007.

Willy Escobedo will maintain primary responsibility for AFIRMA's assistance to DESPENO in Year 3, which will focus on the following tasks:

Table 6 – Despeno

Activities, Outputs, Responsibility and Resources

Task	Outputs	Responsibility	AFIRMA Resources	Dates
Human Resources/ Implementation of improvements	<ul style="list-style-type: none"> • Management tools • Improved organizational structure 	Escobedo	Eliana Otondo (32 days, 2 trips)	Jan -Mayo 2007
Loan Implementation and Expansion	<ul style="list-style-type: none"> • Consolidation of the credit department • Strategic plan for loan growth 	Escobedo	Pablo Alborta (154 days)	Jan – Jun 2007
Support General Director with planning and strategy	<ul style="list-style-type: none"> • Improved company management • Clear institutional goals • Reduced costs 	Escobedo	Hector Sánchez (35 days)	Dec 2006- Jan 2007
Sales and Marketing Training	<ul style="list-style-type: none"> • 3 training courses • Implementation of New Corporate Image 	Escobedo	Mauricio Lerner (14 days)	Sep 2007
Organizational Diagnostic	<ul style="list-style-type: none"> • Study of the company's capacity for growth and expansion. 	Escobedo	Alex Silva (14 days, 2 trips)	Jun / Oct 2007
Institutional Image	<ul style="list-style-type: none"> • Study of the current institutional image • Improved market positioning 	Escobedo	Purchase Order	Jun 2008

FIMEDER

FIMEDER is a relatively young MFI that offers group loans, individual loans, savings and remittances products in the State of Mexico, and was one of the first MFIs in Mexico to transform to a SOFIPO. FIMEDER has invested heavily in back office processes and systems prior to attaining a size to justify the investments. The structure weighs heavily on FIMEDER and today profitable growth and expansion of services continue to represent a significant challenge. Nonetheless, the organization has set forth highly ambitious goals for 2007 and 2008, and is looking into innovative ways of reaching greater scale in a relatively short period of time.

AFIRMA assistance in years 1 and 2 focused on supporting FIMEDER's efforts to consolidate and grow, with technical assistance designed to improve sales techniques, conduct strategic and business planning processes, improve HR management, and develop and improve financial products.

Though the relationship between AFIRMA and FIMEDER has proven challenging at times, both parties are interested in continuing to work together to support FIMEDER's efforts to increase their service area, continue to focus on rural communities, and expand and improve the organization's range of financial services products. **Ivana Fertziger** is responsible for coordinating AFIRMA assistance, with the following tasks scheduled for 2007:

Table 7 – FIMEDER

Activities, Outputs, Responsibility and Resources

Task	Outputs	Responsibility	AFIRMA Resources	Dates
Commercialization of savings products	<ul style="list-style-type: none"> Development and integration of the Savings Department Commercialization of three savings products 	Fertziger	Herberto Olmos (84 days)	Jan – Dec 2007
Implementation of technology solutions to expand service area	<ul style="list-style-type: none"> Stage 1: Study of feasibility, costs, and benefits for several technology solutions Stage 2: Implementation (accompaniment) 	Fertziger	LI (20 days) LI (40 days, 4 trips)	Mar 2007 -Jan 2008
Development and Implementation of “Escuela FIMEDER”	<ul style="list-style-type: none"> Support HR staff in implementing the Escuela FIMEDER and strategies of human capital management 	Fertziger	Eliana Otondo (40 days, 4-6 trips)	Feb-Dec 2007

FINCA MÉXICO

FINCA Mexico has been particularly proactive in requesting AFIRMA support and the project provided intensive assistance in Years 1 and 2 in support of FINCA’s rapid growth. FINCA reached 50,000 clients in July 2006, and should be closing in on 70,000 by early 2007. The organization has responded well to AFIRMA assistance, which included a wide variety of projects in years 1 and 2, including individual loan development, transitional savings product, a regulation feasibility study, a resident operations manager, IT support and planning, systematization of administrative procedures, strengthening of the human resources area, and Universidad FINCA, among others. In order to meet the high demand for AFIRMA assistance, FINCA increased its counterpart contribution in Year 2, increasingly covering substantial TA costs, a policy that will continue into Year 3. FINCA has received substantial support from USAID, through AFIRMA, the EMDAP program, and a recently won IGP, and AFIRMA will continue to coordinate efforts once IGP funded initiatives are underway.

Ivana Fertziger will be responsible for coordinating the activities below for Year 3, with the possibility of several activities extending into 2008, depending on FINCA’s timeliness in hiring the necessary counterpart within the organization.

Table 8 – FINCA Mexico

Activities, Outputs, Responsibility and Resources

Task	Outputs	Responsibility	AFIRMA Resources	Dates
Reformulation of FINCA’s strategic plan	<ul style="list-style-type: none"> Adjusted Strategic Plan 	Fertziger	30 days TCN, 2 trips	Feb – Apr 2007
Incorporation of operational processes into the systematization of administrative procedures	<ul style="list-style-type: none"> Systematized operational procedures and processes. 	Fertziger	Local Contract (PO), approximately \$10,000	Nov– Dic 2007
Methodological Audit	<ul style="list-style-type: none"> Ensure that credit methodology is consistent in all points of service 	Fertziger	40 days TCN 2 (2 trips)	Jun – Oct 2007
Risk Unit	<ul style="list-style-type: none"> Formation of a Risk Unit 	Fertziger	40 days TCN 1 (2 trips)	Apr - Jul 2008

Universidad FINCA processes and methodological manuals	<ul style="list-style-type: none"> • Develop processes and manuals that ensure that staff will be trained according to institutional needs • Strengthened training unit 	Fertziger	20 days Otondo 25 days CCN 2	Apr 2007- May 2008
--	---	-----------	---------------------------------	-----------------------

FINCOMÚN

FinComún, one of only three AFIRMA partners to currently mobilize voluntary savings, has shown significant growth in recent years, particularly in savings clients. AFIRMA has been able to play a key role in FinComún's development, supporting substantially in Years 1 and 2 in savings product development, reduction of costs, risk management, individual loan development, and strategic planning. AFIRMA has achieved an important advisory role to the general director and senior management, allowing for regular meetings and advice regarding the institution's governance and operational issues, particularly loan portfolio quality.

Willy Escobedo will continue be responsible for coordinating the following activities with FinComún for Project Year 3:

Table 9 – FinComún

Activities, Outputs, Responsibility and Resources

Task	Outputs	Responsibility	AFIRMA Resources	Dates
Final implementation of activity-based costing system	<ul style="list-style-type: none"> • Costing system implemented with FinComun's new MIS 	Escobedo	Milagros Chiappe (14 days)	Apr 2007
Individual loan training	<ul style="list-style-type: none"> • Training on credit analysis and recovery 	Escobedo	Michael Steidl (33 days)	Jan - Feb 2007
Bimbo loan distribution project	<ul style="list-style-type: none"> • Support in the project model and implementation 	Escobedo	Michael Steidl (48 days)	Dic 2006- Ene 2007 Apr 2008 (follow up)
Improved systems of risk analysis	<ul style="list-style-type: none"> • Evaluate and recommend improvements to risk analysis systems and procedures 	Escobedo	20 days TCN 2	Jun 2007
Improve training processes	<ul style="list-style-type: none"> • Propose innovations to training processes that improve quality and reduce costs 	Escobedo	35 days CCN 2	Feb- Mar 2007

FONDO 5 DE MAYO

Fondo 5 de Mayo (F5M) finished its most successful year in 2006 having met most of the goals for growth and internal improvements that F5M set forth in the business plan that AFIRMA helped develop at the beginning of the year. F5M continues to be on-target with aggressive plans and the F5M management and board have decided to merge with **Financiera Mercurio**, a regulated finance company (SOFOL) in order to obtain the capital necessary to sustain lending operations growth. This process is at the core of the growth plans and one that AFIRMA will support.

The level of support for F5M is intense, and projects will be supported based on continued high performance, with increasing counterpart contributions. **Nathanael Bourns** will be responsible for coordinating the following activities:

Table 10 – Fondo 5 de Mayo

Activities, Outputs, Responsibility and Resources

Task	Outputs	Responsibility	AFIRMA Resources	Dates
Valuation for the merger	<ul style="list-style-type: none"> Complete valuation for Fondo 5 de Mayo and Financiera Mercurio as part of the merger 	Bourns	Local Consultant or firm - depending on timing, F5M may fund full amount	January 2007
Support management of the merger with Financiera Mercurio	<ul style="list-style-type: none"> Guidelines for corporate governance, planning, communication and image, roles and responsibilities for the newly merged firm Full legal and fiscal compliance 	Bourns	TBD (40 days) (F5M counterpart: local legal and fiscal compliance support)	February – June 2007
Operational Planning	<ul style="list-style-type: none"> Updated Operational strategy for expansion Full projections for 2007 and beyond 	Bourns	Robin Young (5 days)	February 2007
Roll-out of individual loan product Strengthening of Branch Management	<ul style="list-style-type: none"> Adjustment and full roll-out of individual loans at all F5M service points Tools for branch management developed Decentralized processes established Branch manager's manual refined and related training delivered 	Bourns	Hector Cisneros (120 days)	January - December 2007
Definition of a New Management Information System	<ul style="list-style-type: none"> Complete cost/benefit analysis of MIS user needs and systems options Signed contract for a system meeting F5M's long-term needs, considering current planned growth, products, and controls. 	Bourns	Gabor Simon (50 days / 3 trips)	April – September 2007
Human Resources Strategy	<ul style="list-style-type: none"> Diagnostic of specific HR needs for future growth Strategy for HR at F5M developed with senior management, including management guidance, profiles, and approaches to filling needs 	Bourns	Eliana Otondo (15 days)	Dec 2007 – January 2008

PROMUJER MÉXICO

ProMujer Mexico (PMM) focused heavily on internal changes during 2006, as it transitioned to new management and became profitable. Similar to other AFIRMA partners, PMM also faced the need for increased lending capital to grow more aggressively, and has successfully expanded its sources of funding. Despite internal changes and challenges related to systems and control problems, PMM managed to improve performance into late 2006.

In 2007 the PMM management and board recognize the need to develop institutional capacity required for aggressive future growth. Based on the planning process, in which AFIRMA participated, there is a clear need to develop various support areas in order to sustain projected growth. Although other needs may arise during the year, **Nathanael Bourns** will coordinate projects with PMM as listed below.

Table II – ProMujer Mexico
Activities, Outputs, Responsibility and Resources

Task	Outputs	Responsibility	AFIRMA Resources	Dates
Training and Non-financial services	<ul style="list-style-type: none"> • Strategy for linking financial and non-financial services • Related profiles and human resource needs and adjustments 	Bourns	Maria Vega Olazabal (65 days)	January – September 2007
Develop Management Information Systems Area	<ul style="list-style-type: none"> • Specific needs of the area defined, considering new MIS • Strategic approach to IT investments and management • Profiles and evolving responsibilities of IT area staff 	Bourns	Gabor Simon (50 days / 3 trips)	February – December 2007
Human Resources Area	<ul style="list-style-type: none"> • Diagnostic of specific HR needs for future growth • Techniques for internal communication and working climate improvement • Strategy for HR at PMM developed with senior management, including management guidance, profiles, and approaches to filling needs 	Bourns	Eliana Otondo or other TBD (25 days)	May – Nov. 2007
Marketing Area	<ul style="list-style-type: none"> • Diagnostic of specific marketing needs for future growth • Profiles and evolving responsibilities of marketing area staff 	Bourns	TBD (40 days)	Jan -March 2008

PRONEGOCIO

Creditos ProNegocio, the finance company (SOFOL) owned by Banorte, the largest Mexican-owned commercial bank, was incorporated into the AFIRMA project in mid-2006, with the first task of evaluating loan operations and human resources management. The reports produced as a result of these evaluations have become a critical input for the ProNegocio's corporate strategy, including adjustments to HR management, credit policies, and branch locations, as well as the future establishment of a pilot project where recommendations from AFIRMA consultants will be the basis for branch operations.

ProNegocio is interested in continued AFIRMA support, and maintaining the policy of funding half of the technical assistance, though specific terms will be established upon signing the next agreement with AFIRMA. **Willy Escobedo** will continue to be responsible for coordinating overall technical assistance for ProNegocio, including the following activities scheduled for 2007:

Table II – ProNegocio
Activities, Outputs, Responsibility and Resources

Task	Outputs	Responsibility	AFIRMA Resources	Dates
Loan product and technology	<ul style="list-style-type: none"> • Credit Pilot project 	Escobedo	Robin Young (60 days) Willy Escobedo (60 days), 8 trips each	January 2007 – August 2008
Human Resources and Training	<ul style="list-style-type: none"> • Develop adequate HR policies for projected growth. 	Escobedo	Liliana Botega (35 days, 2 trips)	Feb and Jul 2007

Credit Residents (2 subdirectors, 3 regional managers)	<ul style="list-style-type: none"> • Improve portfolio at risk • Improve credit technology • Train future leaders 	Escobedo	Willy Escobedo (40 days, 6 trips)	June – February 2008
Study tour for Advisory Board	<ul style="list-style-type: none"> • Study tour to improve their knowledge of good microfinance practices 	Escobedo	Organization and accompaniment by Willy Escobedo	September 2007
Control and Risk	<ul style="list-style-type: none"> • Recommendations for good risk management, both ex-ante and ex-post 	Escobedo	TCN I (20 days)	Nov-Dec 2007

3. TASK 2 - DEVELOP LOCAL, COMMERCIALY-BASED MFI SUPPORT SERVICES

The growth of microfinance in Mexico calls for robust local support services that respond effectively to the demand for services among MFIs, and AFIRMA is working to improve the supply of services and human resources. As an important first step to focus efforts, during years 1 and 2, AFIRMA examined the *supply* of and *demand* for support services. This analysis complemented through other project experience and knowledge about needs of the local market (see box), highlighted this component will require a variety of approaches:

- Work with and develop local firms and consultants interested in microfinance;
- Carry out microfinance-specific skill-building and link local providers, especially highly specialized providers such as legal & audit firms;
- Build the human resource base required for the microfinance sector (MFIs, TA & Training firms and others);
- Coordinate with the MFI association and other initiatives to improve support services.

MFI Demand for Support Services

The areas of **greatest strategic importance and primary services for current daily operations** according to AFIRMA partners:

- Product design and adaptation
- Operational and Management Training
- Credit Information (bureaus)

Other areas and **primary services**:

- Planning and strategy
- Legal Structure
- IT Systems
- Human Resources Management

MFI Technical Assistance priorities

Priorities outlined in more than 3 AFIRMA partners' programs under task 1, in order of importance:

- Human Resource Management
- IT Systems
- Product design and adaptation
- Risk Management

AFIRMA Microfinance Training Specialist Claudette Martinez remains responsible for overall coordination of this task and will coordinate the activities on four adjusted³ lines of action described below: (1) increased use of local consultants and firms (2) increased accompanying the work of local consultants and firms (3) roll-out of a piloted mentoring program for junior professionals, and (4) coordination with the microfinance association, ProDesarrollo. Continuing with the strategy for 2006, activities under Task 2 are integrated closely with the needs of the local market, as understood through work on Task 1.

CONTRACTING LOCAL CONSULTANTS AND FIRMS

AFIRMA will continue working to improve microfinance-related knowledge and experience of local MFI service providers (firms and individual consultants) wherever feasible, partnering qualified local

³ Based on market study, during the AFIRMA two-day retreat to initiate planning second phase of the project, task 2 initiatives were discussed and lines of action outlined in the Year 2 work plan were adjusted to better focus resources.

consultants or firms with international specialists and/or through close consultation with project initiatives under Tasks 1 and 3-5. During year 3, Claudette Martinez will:

- Continue monitoring and evaluating MIF needs, and local consultant and firm performance, under Task 1
- Create mechanisms to increase information sharing on qualified service providers, at least the contracted under AFIRMA tasks among institutions through publishing local providers' profiles and feedback (with their consent) and/or coordination with Microfinanzas.net to incorporate this information in its consultant database.

MICROFINANCE-SPECIFIC SKILL-BUILDING AND LINKAGES

Mexico has substantial general human resources and consulting capacity, but continues to have limited specialized consulting capacity for microfinance, and there is significant variation in quality of services from one region to another. An important goal under Task 2 is to train and orient consulting and training firms, universities and research firms in specific priority areas related to microfinance. In 2007, AFIRMA will continue working to improve local firm's knowledge of microfinance-specific topics and to improve links with MFIs, through information sharing and coordination efforts; inviting service providers to AFIRMA events and promoting use of support services such as external audit, rating and legal advice.

During the AFIRMA planning retreat, due to common needs among Task 1 partners and based on a positive experience thus far with partnering local providers with international specialists, AFIRMA and USAID identified human resources as an important area to strengthen for the sector. AFIRMA will undertake a pilot-program to respond to ongoing needs in HR strategy and management while also developing domestic professional capacity in HR for microfinance.

During year 3 AFIRMA will implement a microfinance pilot program with providers of at least two states (Chiapas, Culiacan or San Luis Potosi).

Table 12 – Microfinance-Specific Skill-Building program: Human Resources
Activities, Outputs, Responsibility and Resources

Task	Outputs	Responsibility	AFIRMA Resources	Dates
Human Resources mentoring pilot <ul style="list-style-type: none"> • Cost-Benefit analysis (feasibility) • Identification and selection of specialists • Design work plan • Delivery training course and on job-training (field assignments) • Evaluate results 	<ul style="list-style-type: none"> • Cost-benefit analysis & operation process completed • HR firms & consultants At least 2 local HR consultants (at least 2 consultants and/or firms of south and north regions) with improved microfinance skills. • Technical assignments under supervision of Microfinance Specialist leader, completed by local consultants (at least 2) 	AFIRMA technical team	Eliana Otondo - HR Resident (210 days – including all AFIRMA MFI partners' projects) CCN (local consultant, 80 days)	January 07- January 08

Additionally, Claudette Martinez, AFIRMA Microfinance Training Specialist, is supporting the introduction and organization of INCAE Microfinance Management in Mexico. To take advantage of this high quality program to will be held in Mexico in February and March 2007, AFIRMA will support between 7 and 10 partial scholarships for MFIs directors who meet the management skills required by INCAE.

MENTORING PROGRAM

Recent and planned microfinance courses in Mexico (through ProDesarrollo, INCAE, Colcami and others) address part of the need for more and better prepared human resources in microfinance, focusing on existing MFI staff. However, the demand for well-prepared entry-level professionals is strong and growing. Given the expansion plans of AFIRMA's partners and recent growth in the sector, there is a clear need to prepare young professionals who can enter MFIs at junior to middle management levels, with some of the basics of microfinance.

In response to this market need, during Year 2 AFIRMA piloted a training program for young professionals and professors in partnership with the National Polytechnic Institute (*Instituto Politécnico Nacional - IPN*), one of the largest public universities in Mexico. AFIRMA delivered a pilot training program that included classroom work and practical field application, with highly positive results and great interest among students, professors & directors of the IPN, as demonstrated at a participants' presentation in December 2006.

AFIRMA's approach to rolling out this program is based on lessons from the pilot initiative and will continue to combine classroom work and practical application through field work for qualifying students. This will be done in coordination with interested Task I partners, possibly leveraging the required Social Service work and internships. AFIRMA hopes to prepare an expanding group of young professionals with job-specific skills, making them attractive job candidates with some basic experience in an expanding sector.

Based upon lessons from the pilot phase, AFIRMA's leader for this activity, **Claudette Martinez**, worked with local AFIRMA consultant **Heriberto Garcia** to develop a work plan for this program as a basis for the cooperation agreement with IPN, which included four pillars identified during the evaluation session & discussed during the AFIRMA planning retreat. Claudette Martinez will be responsible for coordinating and implementing the following activities:

Table 13 – IPN Mentoring Program
Activities, Outputs, Responsibility and Resources

Task	Outputs	Responsibility	AFIRMA Resources	Dates
Design and implement a microfinance learning program as part of the IPN Curriculum	<ul style="list-style-type: none"> Adjusted curriculum and toolkit material for trainers. Application and selection procedures Operations Manual approved Mechanism for updating program Two microfinance courses held (including training for trainers) One hundred students with general microfinance-knowledge and fifteen professors trained as trainers 	Martinez	Martinez (30 days) Fernandez (10 days) Bourns (10 days) Escobedo (10 days) Fertziger (5 days) Heriberto Garcia (20 days) Pilar Campos (5 days) TBD – Curriculum design (20 days or local firm) TBD – Regulation Specialist (15 days & 6 trips) 2 spots: INCAE PADMIF	Jan-Sep 07
Microfinance Research	<ul style="list-style-type: none"> Two microfinance-related topics incorporated into IPN research programs Three researches in progress One microfinance forum led by IPN Economics School 	Martinez	Martinez (10 days) Fernandez (15 days) Heriberto Garcia (5 days) Two Research fellowship (5000 USD)	Feb – Apr 07 Ago – Dec 07

Professional development program to assure interaction between students and MFIs	<ul style="list-style-type: none"> • Social Service / practical program with 80 students • 20 students working in MFIs • Linkage with MFIs & Networks databases. 	Martinez	Martinez 10 days Visit to MFIs & Mentoring projects -Intern's transportation and meals expenses- (US\$11,000 per year)	Feb – Apr 07 Ago – Dec 07
Institutional Linkage	<ul style="list-style-type: none"> • Agreements with Universities (USA, In country or Third Country), possibly through USAID/ TIES program • Participation of leading figures in Popular Finance in Mexico in courses and technical committee 	Martinez & Fertziger	Fertziger (10 days) Claudette Martinez (5 days) Study tour and travel expenses to prepare TIES proposal	Jan – Oct 07
Evaluation and monitoring results tools and diffusion activities	<ul style="list-style-type: none"> • Monitoring and evaluation system for trained students • Activities carried out & related Popular Finance disseminated within IPN to promote interest in microfinance 	Martinez	Martinez (20 days) Adriana Cedillo Support Heriberto Garcia (5 days)	Jan – Dec 07

In addition to the activities with the IPN mentioned above, AFIRMA will select junior professionals to participate in practical assignments coupled with senior consultants on technical consultancies. To support these mentoring projects, AFIRMA will help defray the intern's transportation and meals expenses.

PRODESARROLLO

AFIRMA formalized an institutional agreement with ProDesarrollo to support priority areas outlined in December 2006. **Claudette Martinez** will be responsible for overall coordination of AFIRMA's technical assistance with ProDesarrollo and will coordinate the following activities:

Table 14 – ProDesarrollo
Activities, Outputs, Responsibility and Resources

Task	Outputs	Responsibility	AFIRMA Resources	Dates
ProDesarrollo benchmarking system strengthening	<ul style="list-style-type: none"> • Market Information & Benchmarking coordinator trained • Accurate relevant information provided by MFIs as result of trained received. • Benchmarking analysis improved in time scope • Report about Popular Finance in Mexico published • Information products for the microfinance market outlined 	Bourns & Martinez	Bourns (15 days) & Francisco Carbajal support Samuel Perez (local consultant, 260 days) Fernando Pamos (local accounting & finance consultant, 10 days) TBD – Monitoring Specialist (15 days) Second phase	Sep 06 – 07 TBD second phase dates
Training Initiatives strategy and planning	<ul style="list-style-type: none"> • Concept paper, outlining training services strategy • ProDesarrollo training plan adjusted to MFIs' needs • Regular accompanying meetings with the PD training coordinator to address the approach to designing and delivering training events 	Martinez	Fertziger (5 days) Martinez (15 days)	Jan – Feb 07 Dec 06 – Sep 07 (two monthly sessions)

Fourth Microfinance Leadership Conference	<ul style="list-style-type: none"> • Participants: 110 MFIs & other institutions leaders • Level of participant satisfaction: 95% • Sustainability of 75% 	Martinez	Martinez (3 days) Fernandez & Escobedo (4 days) Logistics expenses (PO for +/- 40,000 USD)	Apr 2007
Public Advocacy	<ul style="list-style-type: none"> • Support of the advocacy committee of the ProDesarrollo board • Position paper • Coordination with Comacrep (with USAID) where appropriate 	Fernandez	Fernandez (TBD)	Jan-April 2007

4. TASK 3 - SUPPORT INNOVATIONS TO EXPAND ACCESS TO RURAL AND AGRICULTURAL FINANCE

Implementation of Task 3 involves a grants-based approach to stimulating the introduction of new technologies, approaches, distribution channels, or other elements that facilitate rural clients' and small farmers' access to appropriate financial services, and to improve institutions' capacities to reach underserved populations, especially rural clients and small farmers. During 2006, AFIRMA developed an approach to this task based on emerging lessons learned and good practice in rural and agricultural finance.

LAUNCH I-FAR FUND

AFIRMA took lessons from the Rural and Agricultural Finance Workshop held in June 2006, from ongoing project activities, and from field visits including a visit to rural producers in Oaxaca that are part of the USAID-funded IPRC program (implemented by Chemonics), to design the Rural and Agricultural Innovation Fund (i-FAR – *innovacion en Finanzas Agricolas y Rurales*) in coordination with USAID Development Finance Advisor Geoffrey Chalmers. AFIRMA DCOP Nathanael Bourns, worked with Grants Administrator Francisco Carbajal and DAI consultant Brooke Jones, to determine the broad lines of support the fund would provide. The team drafted an Annual Program Statement, a Technical Overview, and a Grants Administration Manual for the fund. These documents were submitted to the USAID/EI Salvador Contracts Office for approval, and have since been adjusted based on initial feedback and resubmitted for final approval. AFIRMA is awaiting approval and the timeline below is dependent upon obtaining approval by mid January 2007.

i-FAR Objective

i-FAR seeks to expand access to rural and agricultural finance by encouraging innovative business models and technologies for providing financial services.

In order to meet its objective (see box), *i-FAR* will support pilot programs for strategic alliances among financial institutions and value chain actors, inefficiencies, information asymmetries, and value chain bottlenecks, with the goal of expanding services to the rural sector in Mexico. Although *i-FAR* will primarily support financial institutions that provide rural and/or agricultural financial services, or those that are expanding into those markets, non-financial, non-governmental actors will also be considered, provided the proposal promotes innovations or alliances seeking to create, expand, or strengthen the supply of financial services products for rural or agricultural actors.

Due to the nature of innovation, the fund is designed to be a flexible, market-responsive tool with which AFIRMA can encourage investments in expanding access to rural and agricultural finance. Private actors

themselves will be best capable of identifying needs, improvements, innovations, and strategic alliances. Given these characteristics, along with rapid changes in the financial sector in Mexico, flexibility to support innovative initiatives as they arise is paramount. Therefore, following advice from USAID/Mexico, AFIRMA will use an Annual Program Statement (APS) under which initiatives may be funded, given that mechanism's greater level of flexibility, as compared to a request for applications.

Nate Bourns is responsible for fund design and management, and will dedicate a substantial portion of his time to the fund in early 2007, with day-to-day assistance from **Francisco Carbajal**. Chief of Party Fernando Fernandez will serve on the Evaluation Committee and will support the fund at strategic points (presentations, and potentially in seeking additional support for the fund from GoM sources). USAID Development Finance Advisor **Geoffrey Chalmers** has been an important part of this component and is listed below as a resource person (in addition to serving on the Evaluation Committee) despite the fact that his time is not technically an "AFIRMA Resource". No attempt has been made to assign days to this involvement because it will depend on the availability and interest to participate in each activity, although AFIRMA anticipates that Mr. Chalmers will be integrally involved in implementation of Task 3.

Table 15 – i-FAR Fund
Activities, Outputs, Responsibility and Resources

Task	Outputs	Responsibility	AFIRMA Resources	Dates
Finalize APS & Manual	<ul style="list-style-type: none"> Incorporate final feedback: USAID/ES Obtain USAID Director Approval Obtain USAID/ES final approval i-FAR APS (pilot) finalized & Issued 	Bourns	Bourns (1 days) Carbajal (2 days)	Jan. 2007
i-FAR Strategic Communication	<ul style="list-style-type: none"> i-FAR flyer, website content, e-mail Contacts for meeting & APS Logistics for launch meeting i-FAR launch presentations Deliver i-FAR launch (pilot) meeting 	Bourns	Bourns (5 days) Carbajal (2 days) Chalmers	Jan.- March. 2007
Administrative preparation	<ul style="list-style-type: none"> Final proposal templates & agreements TAMIS administrative system for managing grants adjusted Approach for general monitoring and evaluation indicators, consistent with the approved PMP 	Bourns	Bourns (5 days) Carbajal (15 days)	Jan – Feb. 2007
Review proposals and issue grants	<ul style="list-style-type: none"> Initial Proposal Review for compliance Evaluation Committee established Proposals received & filtered for basic compliance, & reviewed based on criteria Short-list Presented to Evaluation Committee On-site review: high-potential applicants Establish monitoring plan per grantee Negotiate grant conditions Draft Grant agreements USAID/ES Contracts review: 1st agreements Notify grantees of final selection 3-5 Grants issued 	Bourns	Bourns (30 days) Carbajal (40 days) Fernandez (7 days) Local researcher (TBD) Evaluation Committee Chalmers Travel Resources for site visits (Bourns & Carbajal and possibly researchers)	Feb.–Apr. 2007
Refine i-FAR pilot based on feedback	<ul style="list-style-type: none"> Obtain feedback from applicants, key non-applicants, potential funders Adjust i-FAR based on pilot & feedback Obtain approval, Issue adjusted APS Adjusted i-FAR APS Issued and ongoing grant process managed, evaluated. 	Bourns	Bourns (15 days) Chalmers	Apr.–Dec. 2007

Mobilize additional support & funding	<ul style="list-style-type: none"> Finalize Presentations for potential funders "Present i-FAR to CGAP, Intel, GoM agencies" Determine if any adjustments necessary to obtain support Examine potential adjustments with USAID & DAI Contracts offices 	Bourns	Bourns (8 days) Fernandez (3 days) Chalmers	Jan-April 2007
---------------------------------------	--	--------	---	----------------

As mentioned, the timeline set forth above will ultimately depend upon timing of final approval from the USAID/EI Salvador contracts office, and all dates cited are based upon the assumption that approval will be granted by mid January. Because of the numerous administrative, technical and logistical activities required to launch the fund, a detailed Gantt chart for the launch period is included in Annex A.

5. TASK 4 - STRENGTHEN THE REGULATORY ENVIRONMENT FOR MICRO- AND RURAL FINANCE

Under this task, AFIRMA will work with the *Comisión Nacional de Bancos y Valores* (CNBV) and Federation Committees to develop risk-based supervision appropriate to microfinance. **Fernando Fernandez** will have primary responsibility for this task, and will coordinate with USAID and with AFIRMA subcontractor **International Consulting Consortium** (ICC), a firm specialized in financial regulation and supervision in Latin America. At the request of the CNBV the assistance program will begin in early 2007, initially to involve:

- Work plan with the CNBV.** The Project will coordinate with the CNBV to develop technical assistance and training plans with the Federations.

Based on planning with the CNBV in early 2007, the project will define other activities.

Table 16 – Regulation and Supervision of Microfinance

Activities, Outputs, Responsibility and Resources

Task	Outputs	Responsibility	Resources	Dates
Work plan with CNBV to prioritize assistance	<ul style="list-style-type: none"> Finalized work plan MOU with USAID/AFIRMA (depending on the work plan) Define initial training program, 	Fernandez	Ramon Rosales, ICC (level of effort TBD)	May 2007
Study Tour	<ul style="list-style-type: none"> Review successful experiences with supervision of microfinance 	Fernandez	cost shared with CNBV Estimate: \$10,000 from AFIRMA	April June 2007

6. TASK 5 - STRENGTHEN THE MICRO- AND RURAL FINANCE INDUSTRY

The primary goals of this task are to promote microfinance sector initiatives in alliance with GoM agencies, such as PRONAFIM, Financiera Rural and Bansefi, or associations such as ProDesarrollo that will strengthen industry infrastructure and information. Activities under this task include supporting private sector stakeholders in microfinance, GoM initiatives, and other stakeholders.

In years 1 and 2, AFIRMA supported **ProDesarrollo** training initiatives, helped **PRONAFIM** plan a national conference held in October 2005, conducted a comprehensive diagnostic of **Financiera Rural**, and coordinated with the **Banco de Mexico** (Central Bank) and the **CNBV** on options for improving credit information services in Mexico. AFIRMA subcontractor Ohio State University (OSU) also conducted a market study of the rural financial sector in Mexico. In Year 3 activities under Task 5 will be along four main lines: market research, support of ProDesarrollo, support and work with GoM microfinance initiatives, credit information services.

MARKET RESEARCH

In Years 1-2, DAI subcontractor The Ohio State University (OSU) conducted an assessment of the financial markets in Mexico. The assessment was conducted by a team of researchers from the Rural Finance Program at OSU led by Dr. Claudio Gonzalez-Vega, and including Rodolfo Quiros, Franz Gomez, Marcelo Villafani and Carlos Alpizar. As of late 2006, AFIRMA has all of the draft deliverables and will work with OSU and with USAID to finalize the documents. Additional work may include:

- **Determine whether there is scope for follow-on research.** Following presentation of the study and feedback from participants held in October 2006, **Fernando Fernandez**, **Geoffrey Chalmers** and **Dr. Gonzalez-Vega** will determine priority areas for further investigation. Any new investigation would require a relatively quick turnaround (due to dynamic nature of the market), use of a combination of international and local researchers, and
- **Identify Areas for Intervention in the RAF Enabling Environment.** Depending on lessons learned through the grant fund and other activities, AFIRMA and USAID will assess whether any legal/policy issues related to rural and agricultural finance emerge as high-priority obstacles worthy of consideration for USAID/AFIRMA intervention, most likely in close coordination with private sector actors and the Mexican Government.

Table 17 – Market Research
Activities, Outputs, Responsibility and Resources

Task	Outputs	Responsibility	Resources	Dates
Finalize rural finance study	<ul style="list-style-type: none"> • Final version of full study published 	Fernandez	Fertziger (10 days)	Jan-Feb. 2007
Determine follow-on research	<ul style="list-style-type: none"> • Priorities for investigation • Lessons from i-FAR • Research design 	Fernandez	Bourns Claudio Gonzalez-Vega (2 days) Chalmers	Sept. 2006

MAPPING INITIATIVE

AFIRMA began an initiative led by Nate Bourns and supported during the summer by intern, Evelyn Torres of the University of California San Diego with generous support of Bob Bouvier and Ioana Bouvier, of DAI's home office Geographic Information Systems (GIS) team, to map the branch locations of AFIRMA partners. Given demand within the sector, this effort has since expanded and AFIRMA has begun tracking other institutions as well. A *preliminary* map of the branch locations of AFIRMA partners appears below, followed by an initial effort to map branch locations of 77 popular financial institutions of various types.

Because of the sector's current rate of expansion, these maps are snapshots taken at a point in time, and the initiative's long-term value will depend upon the ability to maintain the data up-to-date. In order to build on this effort, AFIRMA will look for a "home" for the initiative (at an academic institution, the statistics bureau (INEGI), a network or other Mexican institution) a local leader of the effort to work with Mr. Bouvier from DAI/GIS that could support the initiative on a short-term basis. The project also will begin to incorporate other relevant data on poverty, population, rural municipalities, that is available through INEGI. Nate Bourns will coordinate the following initial work in mapping:

Table 18 – Mapping

Activities, Outputs, Responsibility and Resources

Task	Outputs	Responsibility	AFIRMA Resources	Dates
Establish Mapping process for microfinance in Mexico	<ul style="list-style-type: none"> Flexible, dynamic Mapping software installed with AFIRMA (transferable to another institution once determined) 	Bourns	Bob Bouvier (10 days) Local GIS/database specialist (15 days) IT/GIS equipment: \$1,500	March 2007
Ongoing maintenance of the mapping process	<ul style="list-style-type: none"> Process established for obtaining and updating mapped data Agreement with a local institution to take on the initiative 	Bourns	Bob Bouvier (4 days from home office) Local GIS/database specialist (40 days)	April – Dec 2007

SUPPORT RELEVANT GOM MICROFINANCE INITIATIVES

Fernando Fernandez will have primary responsibility for coordinating with GoM agencies, in close coordination with **Geoffrey Chalmers**. AFIRMA will remain responsive to GoM microfinance initiatives as they are likely to evolve by early-to-mid 2007, with the new Mexican Administration. In early 2007 AFIRMA will request meetings with the various agencies involved in popular finance (PRONAFIM, Banco de Mexico, CNBV, FIRA, Bansefi, and the PATMIR program at the Agriculture Secretary, among other potential actors) to understand the new government landscape and determine potential areas for collaboration and support.

Table 19 – Support GoM Microfinance Initiatives

Activities, Outputs, Responsibility and Resources

Task	Outputs	Responsibility	Resources	Dates
Understand the new GoM landscape for popular finance	<ul style="list-style-type: none"> Understanding with GoM agencies on AFIRMA's role Potential areas for collaboration identified 	Fernandez	Fernandez (15 days) Chalmers	Feb – June 2007

AFIRMA BI-ANNUAL PARTNER MEETINGS AND TECHNICAL WORKSHOPS

At the AFIRMA retreat, the team reaffirmed the value of holding regular meetings to share lessons learned, market information, performance indicators, and to plan and prioritize joint initiatives. **Adriana Cedillo** will support **Claudette Martinez** and the AFIRMA team to organize the following meetings:

Table 20 – AFIRMA bi-annual meetings and technical workshops
Activities, Outputs, Responsibility and Resources

Task	Outputs	Responsibility	Resources	Dates
AFIRMA Bi-annual meeting	<ul style="list-style-type: none"> Performance monitoring results presented Other timely technical topic, depending on demand, relevance First Technical workshop defined 	Martinez, Cedillo	Fernandez Bourns Escobedo TBD	May, October 2007
Technical Workshop	<ul style="list-style-type: none"> Technical content presented 	Martinez, Cedillo	TBD	TBD

PERFORMANCE MONITORING AND REPORTING

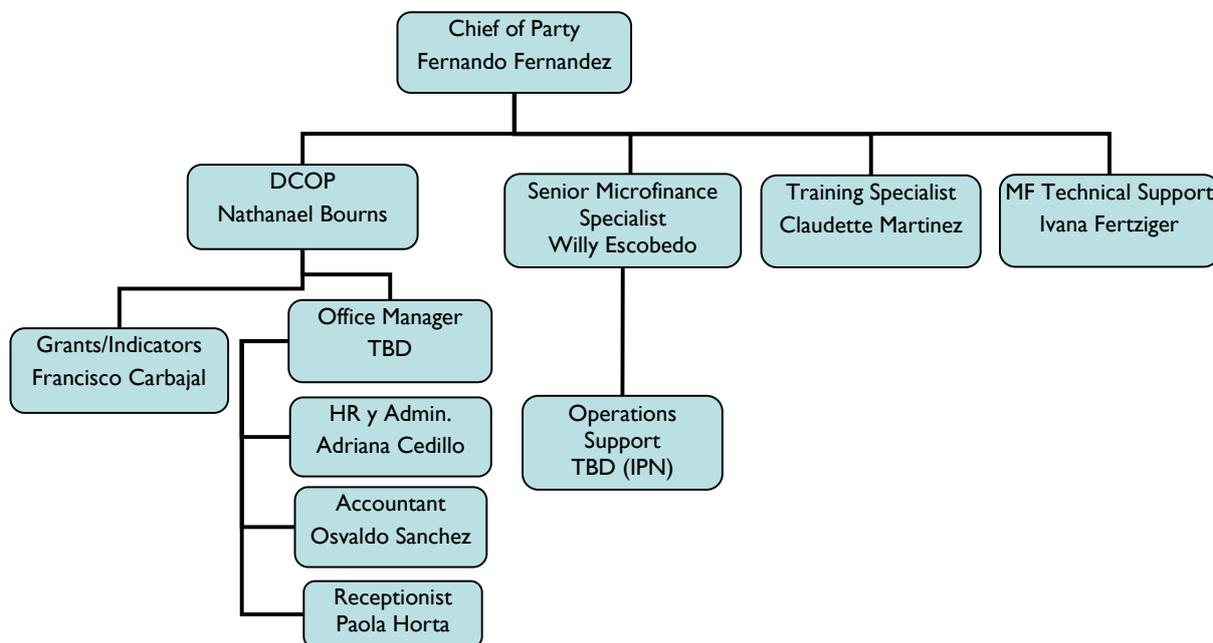
Although this is an administrative requirement as part of the AFIRMA project, the information generated is increasingly used for technical purposes and for reporting on the market evolution, and is therefore included here under Task 5. **Nathanael Bourns** will be responsible for supervising the performance monitoring process and coordinating AFIRMA reporting to USAID, working closely with **Francisco Carbajal**. **Claudette Martinez** will continue to support this process in early 2007 until Mr. Carbajal is fully trained. This activity will continue to be linked to the benchmarking initiative with ProDesarrollo mentioned above.

Table 21 – Performance monitoring and reporting
Activities, Outputs, Responsibility and Resources

Task	Outputs	Responsibility	Resources	Dates
Quarterly and Annual Reports	<ul style="list-style-type: none"> Reports completed: Jan 30, Apr 30, July 30, Oct. 30 (annual) MRR reporting 	Bourns	Bourns Fertziger Carbajal	Quarterly
Technical Performance Monitoring	<ul style="list-style-type: none"> Implement Performance Management Plan 	Bourns	Martinez Carbajal (30 days)	Quarterly
Year 4 Work Plan	<ul style="list-style-type: none"> Approved Work Plan 	Bourns	AFIRMA Team	Nov-Dec 2007

7. PROJECT MANAGEMENT

Chief of Party **Fernando Fernandez** has primary responsibility for working with USAID to guide the technical activities outlined above towards the stated project goals, ensuring that AFIRMA responds proactively to market trends and project partner needs. He also has primary responsibility for managing the AFIRMA project team, as structured in the diagram below.



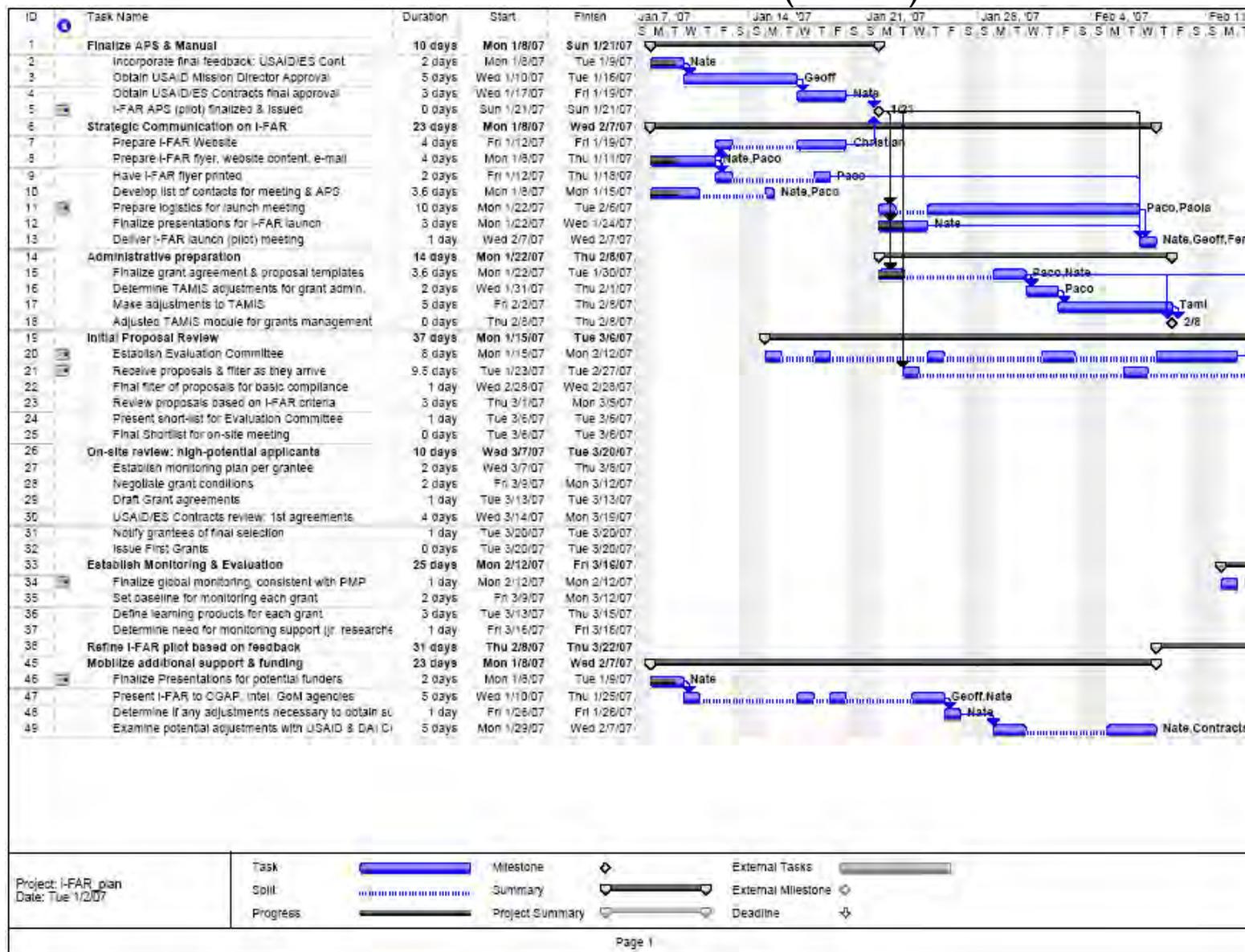
PROJECT ADMINISTRATION

As discussed with the USAID CTO, changing needs and increased activity level, especially resulting from the launch of the i-FAR small grants fund, the IPN training roll-out, and increased direct support of partners by the local AFIRMA team, among other activities, have made it necessary to shift roles and add staff. The proposed changes described below are reflected in the organizational chart above and in the budget in the next section.

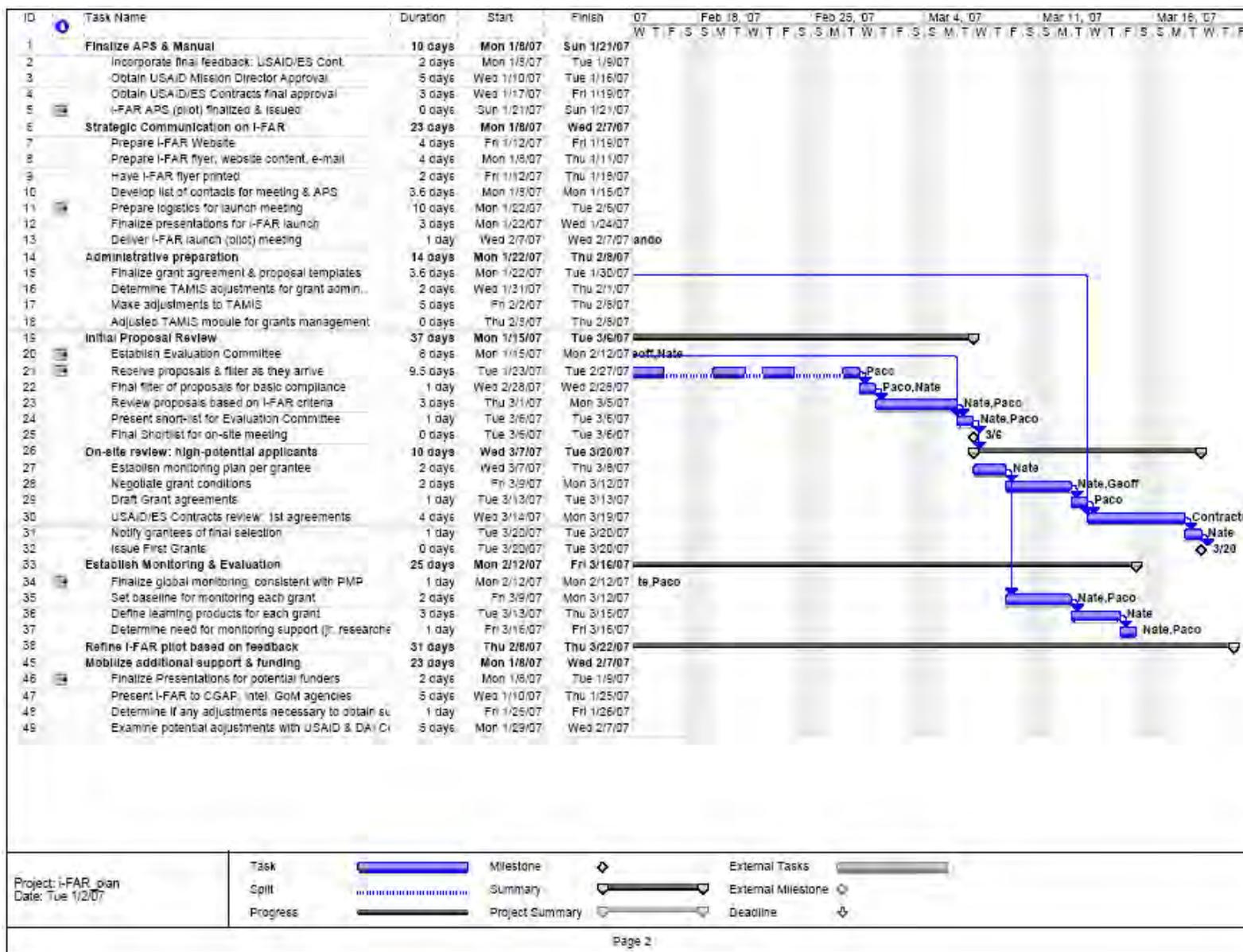
- Technical Support.** In September 2006 **Ivana Fertziger** joined the local AFIRMA team on a 6-month assignment to support coordination with MFI partners, market research initiatives, and USAID reporting. Ms. Fertziger has performed extremely well as part of the AFIRMA team and a SOW will be developed requesting to extend her work with AFIRMA an additional year. This will allow Fernando Fernandez to focus increasingly on technical work with the public sector, and to provide technical guidance for other project tasks. Ms. Fertziger will also assist with USAID English-language report preparation.
- Operations Support / Mentoring Junior Professionals.** AFIRMA will open an ongoing operations support position for a **local junior professional** (linked to Task 2, possibly an alumni from the IPN courses) to shadow Senior Microfinance Specialist **Willy Escobedo** and support him in his work with MFI partners, while also gaining microfinance-related skills. This position would rotate every 6 months.
- Grants Administration and Indicators.** **Francisco Carbajal**, formerly the Project Accountant, will shift to work as **Grants Administrator** for the i-FAR small grants fund, and will support AFIRMA's **indicator tracking** and reporting (both activities are described above). **Nate Bourns** will continue to supervise both of these activities.

- **General Office Administration.** AFIRMA will hire an experienced office administrator to handle overall office administration, to be in charge of ensuring administrative compliance to DAI and USAID standards, and to supervise the administrative team. The office administrator will report to Nate Bourns, and will allow him to focus increasingly on technical involvement in the i-FAR grant fund, additional support to MFI partners, and on market analysis.
- **Human resources and Task 2 support.** **Adriana Cedillo** will continue to handle relationships with local service providers, local employee contracts, and compliance with applicable local laws and regulations, while also beginning to shift to support Task 2, especially focusing on local human resources needs and capacities, development of local junior professionals and consultants, and coordination, monitoring and evaluation of local service providers. She will assume this role under the guidance of **Claudette Martinez**, who maintains responsibility for overall Task 2 implementation and monitoring.
- **AFIRMA Financial Reporting.** **Oswaldo Maldonado**, in coordination with the Office Administrator (TBD), takes over for Francisco Carbajal as Project Accountant and will be responsible for producing AFIRMA's financial reports delivered to DAI home office on a weekly basis and LOE tracking for AFIRMA consultants.
- **Contracts.** Within the AFIRMA office, **Nate Bourns** will continue to be responsible for coordinating with the USAID/El Salvador contracts office on project contractual and budgetary issues. He also coordinates with DAI Senior Contracts Specialist **Stephen MacLeod**, responsible for the AFIRMA contract within DAI's home office. Mr. Bourns, with support from AFIRMA Office Manager **Adriana Cedillo** handles the project's issuance of contracts and purchase orders for technical work with local firms and individuals.
- **Home office project support.** AFIRMA will continue to coordinate on a daily basis with Home Office Associate **Brooke Jones**. "Home Office" Technical Manager **Robin Young** (from her home in Costa Rica) will continue to support AFIRMA, as well as to provide short-term technical assistance as described above.
- **Management Visit.** A member of DAI Management will visit Mexico in early 2007 to discuss progress towards project implementation and meet with USAID and the project staff.
- **Office move.** AFIRMA will relocate to an office close to the current location in order to have more space and less restrictive accommodations (the current office space has presented problems with accessibility to the office, unreliable elevators, and parking, among other problems). An office location has been identified nearby that meets all of the projects requirements, and provides more space at a minimal cost increase, and will likely save project resources currently spent on renting meeting space because the office has larger, more useful and versatile meeting areas. The move is tentatively planned for mid February.

8. ANNEX A: I-FAR LAUNCH GANTT CHART (TASK 3)



i-FAR Gantt Chart (continued)



AFIRMA Project
Homero 203, piso 7 of. 703 y 704
México, Distrito Federal, DF | 1570
México