

## PROJECT SUMMARY

### RURAL FINANCE PARTNERSHIP FOR LATIN AMERICA AND THE CARIBBEAN

#### (RG-M1230)

While the microfinance industry has grown to reach US\$ 18.9 billion portfolio and 14.9 million clients with about 675-700 microfinance institutions (MFIs) serving poor and low-income population (PLIP), large proportions of micro and small businesses, farms and individuals in Latin America and Caribbean (LAC), especially those located in rural areas, still lack meaningful access to financial services. A number of MFIs that cater PLIP clients are increasingly interested in rural and agricultural markets. A few leading MFIs have started entering this market with positive results, signaling that there is an interesting business (and mission) opportunity for those MFIs that are able to innovate and adapt their lending methodology and business model. The majority of MFIs serving (or willing to serve) this segment still lack many of the capacities (methodologies, products, delivery channels and infrastructure) needed to do so adequately. The rural setting presents different challenges that these organizations will need to overcome to successfully engage rural and agriculture sector clients, which include acquiring different technical capacities (i.e. being able to analyze—and often even to organize—value chains), developing appropriate delivery-channel and product lines for rural and agro-related businesses, as well as other non-credit services (savings, payments, insurance, etc.) to bundle their product offerings and generate economies of scale.

The “Rural Finance Partnership for Latin America and the Caribbean” (RFP) project aims at enhancing a sustainable and adequate provision of financial products and services to PLIP in LAC through the deployment of innovative and effective technical assistance (TA) interventions to 10 MFIs with a significant rural focus. TA will be directed to help these MFIs to diversify their product lines by designing, piloting and deploying new products, methodologies/processes as well as exploring delivery channels for agro-related businesses, value-chain financing and non-credit services to better serve rural clients’ needs that have been neglected due to MFIs’ lack of capacities to attend this segment.

The final beneficiaries of the RFP will be at least 130,000 rural dwellers engaged in agriculture and micro businesses that will access or expand their use of financial services, by becoming clients of the participating MFIs.

The Executing Agency, Incofin Investment Management (Incofin IM) is a fund advisory company with over US\$400 million assets under management that has entered in the technical assistance arena with eight other partners and seeks to expand this type of interventions in Latin America and the Caribbean jointly with the MIF. It manages two debt funds focused specifically on expanding rural microfinance services, which has enabled it to acquire important experience on rural markets and on the financial intermediaries that service them. Incofin IM has developed relevant experience and specific tools for assessing MFI social and rural profile such as a rural score methodology to measure the proportion of MFI clients living in rural areas and the

ECHOS© tool, applied to ensure that the social profile of an MFI matches Incofin IM's social investor mandate.

This first-time partnership between Incofin IM and the MIF will rely on the extensive experience on rural microfinance of both institutions, which will provide useful insights in the design of TA interventions and in sharing knowledge, based on lessons learned in earlier projects funded by the MIF in LAC and Incofin in other regions (Asia, Africa). It is expected that synergies between the two institutions will contribute to the adoption or replication of successful products and practices developed within the RFP by other MFIs of the LAC region and eventually worldwide through Incofin IM's participation in other funds/TA facilities earmarked for other regions of the world.

MIF's contribution is essential to the success of the RFP not only in terms of financial contribution and its leveraging potential with other donors, but mainly in terms of facilitating access and exchange of technical expertise and best practices in rural finance methodologies and innovative products for the MFIs.