

## **MIF Project**

### **Access to Alternative Energy and Water Products through a Credit and Distribution Model in El Salvador**

The Multilateral Investment Fund (MIF), a member of the Inter-American Development Bank (IDB) Group, in partnership with the Salvadoran Foundation for Integrated Support (FUSAI), is launching a project to facilitate access to alternative energy and water products through a credit and distribution model in rural and peri-urban areas of El Salvador. The total project cost is US\$ 1,387,667 (100%) of which the MIF will provide US\$ 991,607 (70%) and the executing agency US\$ 396,060 (30%) in cash and in-kind counterpart contribution.

In El Salvador, only 45% of rural households have access to piped water, requiring the rest to use private or public wells, rivers, and brooks. In terms of access to energy, roughly 300,000 households (around 20%) in El Salvador are not connected to the country's electric grid. At the same time, poor and low-income families are increasingly seeking to reduce their energy consumption due to high costs.

To date, the market has failed to provide poor and low income consumers with demand for affordable, reliable water and energy services with opportunities to connect to suppliers of such products and credit providers to finance their purchase. One of the main causes of the problem is the marginalized and rural populations' lack of awareness of existing low-cost and reliable products. In addition, potential distributors, such as hardware stores, are unaware of the existence of products on the market and the dormant demand for them at the base of the pyramid.

The project will educate consumers about existing services and potential benefits of alternative water and energy solutions through community-based organizations. A package of high quality and affordable water and energy products will be made available to consumers through a network of hardware stores. Specially created microcredits will be made available to consumers by participating microfinance institutions. Households will be able to purchase solar, biogas, and energy saving appliances and/or efficient water storage methods, water filters and water tanks which will be installed and maintained by certified technicians.

This project will benefit at least 4,800 low-income households by improving the target groups' socio-economic conditions as a result of access to safe, reliable supply of potable water and/or energy resources.

The Multilateral Investment Fund (MIF), funded by 39 donors, supports private sector-led development benefitting low-income populations and the poor - their businesses, their farms, and their households. The aim is to give them the tools to boost their incomes: access to markets and the skills to compete in those markets, access to finance, and access to basic services, including green technology. A core MIF mission is to act as a development laboratory - experimenting, pioneering, and taking risks in order to build and support successful micro and SME business models. More information at [www.fomin.org](http://www.fomin.org).

FUSAI ([www.fusai.org.sv](http://www.fusai.org.sv)) is a nonprofit organization in El Salvador providing finance and technical assistance for innovative solutions and poverty reduction for the base of the pyramid market.

**PUBLIC**

**DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK  
MULTILATERAL INVESTMENT FUND  
DONORS MEMORANDUM**

**EL SALVADOR**

**Access to Alternative Energy and Water Products through a  
Credit and Distribution Model in El Salvador**

**ES-M1031**

This document was prepared by the Project Team consisting of: Svante Persson (MIF/ABS) project team leader, David Bloomgarden (MIF/ABS), Guillermo Villacorta (MIF/COF) supervision team leader, Anne Marie Lauschus (LEG), Dora Moscoso (MIF/DEU), María Luisa Hayem (MIF/ATF), Ana Castillo (MIF/KSC), Isabel Auge (MIF/ABG).

Under the Access to Information Policy, this document is subject to public disclosure.

## CONTENTS

|   |               |
|---|---------------|
| ANNEXES .....   | I             |
| IN TECHNICAL FILES.....                                   | I             |
| ABBREVIATIONS .....                                       | II            |
| <b>I. EXECUTIVE SUMMARY.....</b>                          | <b>- 1 -</b>  |
| <b>II. BACKGROUND AND JUSTIFICATION.....</b>              | <b>- 2 -</b>  |
| A. ACCESS TO WATER AND ENERGY IN EL SALVADOR .....        | - 2 -         |
| B. PROBLEM STATEMENT .....                                | - 2 -         |
| C. DESCRIPTION OF THE PROJECT.....                        | - 3 -         |
| D. EXPERIENCE TO DATE.....                                | - 5 -         |
| E. RELATIONSHIP TO MIF BASIC SERVICES AGENDA. ....        | - 6 -         |
| <b>III. OBJECTIVES AND DESCRIPTION.....</b>               | <b>- 6 -</b>  |
| A. PROGRAM GOAL AND PURPOSE .....                         | - 6 -         |
| B. DESCRIPTION OF COMPONENTS.....                         | - 7 -         |
| <b>IV. COST, FINANCING AND SUSTAINABILITY .....</b>       | <b>- 8 -</b>  |
| <b>V. EXECUTING AGENCY AND MECHANISM .....</b>            | <b>- 10 -</b> |
| A. EXECUTING AGENCY.....                                  | - 10 -        |
| B. EXECUTING MECHANISM .....                              | - 10 -        |
| <b>VI. MONITORING, EVALUATION, AND RISKS .....</b>        | <b>- 11 -</b> |
| A. MONITORING AND EVALUATION.....                         | - 11 -        |
| <b>VII PROGRAM BENEFITS AND RISKS.....</b>                | <b>- 13 -</b> |
| A. PROGRAM BENEFITS AND DEVELOPMENT IMPACT .....          | - 13 -        |
| B. RISKS.....   | - 13 -        |
| <b>VIII ENVIRONMENTAL AND SOCIAL CONSIDERATIONS .....</b> | <b>- 14 -</b> |

## **Annexes**

|           |   |
|-----------|---|
| Annex I   | Logical Framework   |
| Annex II  | Detailed Program Budget                                   |
| Annex III | Guidelines for Environmental and Social Management Report |

## **In Technical Files**

|          |  |
|----------|--|
| Annex IV | Table of Preliminary Project Milestones      |
| Annex V  | Procurement Plan                             |
| Annex VI | Diagnostic of Executing Agency's Needs (DNA) |

## Abbreviations

Whenever reference is made in the document to any of the terms mentioned below, the same will be understood to mean the following:

| <b>Term</b>        | <b>Meaning</b>   |
|--------------------|--|
| <b>ABS</b>         | Access to Basic Services                                     |
| <b>ADESCOS</b>     | Community Development Associations                           |
| <b>AECID</b>       | Spanish Agency for International Cooperation for Development |
| <b>AMC</b>         | Society Savings and Credit Cooperative AMC                   |
| <b>ANDA</b>        | National Administration of Water and Sewerage                |
| <b>Bank or IDB</b> | Inter-American Development Bank                              |
| <b>Danida</b>      | Danish Development Agency                                    |
| <b>ESMP</b>        | Environmental Safety Management Plan                         |
| <b>FPH</b>         | Pro-Habitat Fund   |
| <b>FUSAI</b>       | Salvadoran Foundation for Integrated Support                 |
| <b>HOLCIM</b>      | Swiss based global building materials company                |
| <b>KSC</b>         | Knowledge and strategic communication                        |
| <b>MIF/FOMIN</b>   | Multilateral Investment Fund                                 |
| <b>MFI</b>         | Microfinance Institution                                     |
| <b>MSME</b>        | Micro, Small, and Medium-sized Enterprises                   |
| <b>NORAD</b>       | Norwegian Development Agency                                 |
| <b>PSR</b>         | Project Status Report  |
| <b>Sida</b>        | Swedish Development Agency                                   |

**Access to Water and Energy through a Network of Suppliers and Credit Providers in El Salvador  
(ES-M1031)**

**I. Executive Summary**

|   |  |
|---|--|
| <b>Beneficiary Country:</b>             | El Salvador  |
| <b>Executing Agency:</b>                | Fundación Salvadoreña de Apoyo Integral (FUSAI)  |
| <b>Target Beneficiaries:</b>            | The project will benefit at least 4,800 poor and low-income families in rural and peri-urban areas.  |
| <b>Financing:</b>                       | Modality: Non-reimbursable   |
|   | MIF: US\$ 988,507 (70%)  |
|   | Local Counterpart: <u>US\$ 394,460 (30%)</u>   |
|   | TOTAL: US\$ 1,382,967 (100%)   |
| <b>Objectives:</b>                      | The impact of this project is to improve the quality of life of poor and low income populations in rural and peri-urban areas of El Salvador. The result is to facilitate access to alternative energy and water products through a credit and distribution model in the departments of Cabañas, Chalatenango, Cuscatlan, La Libertad, La Paz, Santa Ana, and Sonsonate. |
| <b>Execution Timetable:</b>             | 36 months for project execution. 42 months for disbursements.  |
| <b>Special Contractual Conditions:</b>  | The project coordinator should be selected and annual operations plan approved.  |
| <b>Exceptions to Bank Policies:</b>     | None.  |
| <b>Environmental and Social Review:</b> | This operation was screened and classified as required by the IDB's safeguard policy (OP-703). Given the moderate impacts and risks, the proposed category for the project is B.13.  |

## **II. Background and Justification**

### **A. Access to Water and Energy in El Salvador**

- 2.1 Despite being a tropical country with ample rainfall, El Salvador does not have an abundance of hydric resources and is the third most unequal country in Latin America in terms of access to water<sup>1</sup>. According to the 2007 Population and Housing Census, only 45% of rural households have piped water, requiring the use of private or public wells, rivers, and brooks. Most people purify their piped or well-extracted water and poor water quality can be a health hazard due to contamination from metals, organic compounds and disease-inducing bacteria.
- 2.2 The energy sector in El Salvador is characterized by a heavy dependence on imported fossil fuels and rising energy costs. In terms of access to energy, roughly 300,000 households (around 20%) in El Salvador are not connected to the country's electric grid. However, despite a public subsidy of roughly 52% for households consuming up to 99 kWh increasingly poor and low-income families are reducing their consumption due to high costs. There is substantial unmet energy demand among rural populations (approximately 150,000 households), of which 30,000 are located in rural and peri-urban areas where the only viable option is renewable alternative energy<sup>2</sup>. Another 40,000 low-income households are located near existing systems but cannot afford the cost of connection. The remaining 80,000 homes are located in areas where the provision of solutions through traditional networks would yield low profits, but these offer viable business opportunities for alternative water and renewable energy systems.

### **B. Problem Statement**

- 2.3 The main problem that the proposed project will address is the market failure that prevents poor and low income consumers with demand for affordable and reliable water and energy products (or solutions) from linking to suppliers of these products and credit providers to finance the purchase of these products. Two principal information asymmetries contribute to this market failure. First, a the lack of awareness of existing low-cost reliable products by marginalised and rural populations. Second, potential distributors like hardware stores are not aware of the existence of products on the market and the dormant demand for them at the bottom of the pyramid. This, in turn, creates a lack of incentives in the distribution network and thus among MFIs to provide the credit that would make this market place viable. The effects of this insufficient supply of alternative products are increasing costs for energy and water, few hours of reliable services and difficult circumstances for household-based income generating activities that rely on access to quality water and energy.
- 2.4 ANDA, a publicly owned company, has been the primary provider of water and sanitation services, covering 122 of the 262 municipalities nationally, and has agreements with another 45 municipalities through decentralized local operators<sup>3</sup>. ANDA therefore reaches 62% of

---

<sup>1</sup> World Development Report 2011

<sup>2</sup> These families are part of the government subsidy program, RED SOLIDARIA.

<sup>3</sup> A recent study financed by the IDB (Tornarolli y Vásquez 2012) shows, that the households, connected by ANDA are primarily higher income households. .

the population with water. The remaining 95 municipalities are served by various suppliers, mainly private operators and water associations<sup>4</sup>. In recent years private water systems, such as community-owned water boards, have begun to provide services using financially sustainable market-based models with expansion potential. However these entities face a number of obstacles, including lack of access to finance for expansion, renovation and improvement of systems. Generally the municipal and water associations have limited funds for maintenance or repairs so water interruptions in these systems are frequent<sup>5</sup>.

- 2.5 The absence of a system to ensure quality standards of alternative energy products and a lack of trained technical personnel to ensure correct installation and maintenance of these solutions have been limiting factors for the supply of renewable energy. As with other small countries, the market place for clean energy products is not well developed<sup>6</sup>. Currently MFIs do not offer microcredit products to help low income families acquire alternative water and energy products. Raising awareness and education among MFIs, suppliers and consumers is a prerequisite to develop both the demand and supply sides of this market.<sup>7</sup>
- 2.6 Women have primary responsibility for the collection and management of household water. In rural areas 17% of women and children spend up to half a day collecting water and 87% use up to 4 hours of their productive activities in this task<sup>8</sup>. In peri-urban households the purchase of water puts constraints on the family budget; women have to cover these additional “coping costs” by adding additional hours of work in order to pay for water.

### **C. Description of the project**

- 2.7 This project will facilitate access to water and alternative energy products by poor and low-income households and micro businesses<sup>9</sup> in rural and peri-urban communities (in the departments of Cabañas, Chalatenango, Cuscatlan, La Libertad, La Paz, Santa Ana, and Sonsonate ) by adapting and expanding a model focused on home improvement to a credit and distribution model aiming at improving access to water<sup>10</sup> and energy consumer products.
- 2.8 Consumers will be educated about existing services and potential benefits of alternative water and energy solutions through community-based organizations. A package of high quality and affordable<sup>11</sup> water and energy products will be made available to consumers<sup>12</sup> through a network of hardware stores, which will receive training in order to provide materials and installation support to the end consumers and set up a quality control system for the products. The type of solutions will vary depending on the nature of the constraint.

---

<sup>4</sup> Source: El Mercado del Tratamiento y Suministro de Agua en El Salvador, Instituto Español de Comercio Exterior, Marzo 2012.

<sup>5</sup> As indicated above there is a limited degree of decentralization of water management to municipalities by ANDA, through agreements. There are also some limitations for other operators related to ownership rights of sources, however this is not a universal barrier, and it is being addressed in the new regulation currently under discussion by the authorities. Bibliographic reference on this topic: Construyendo la Política de Recurso Hídrico en El Salvador Hacia la Gobernabilidad en la Gestión Del Agua, del Ministerio de Medio Ambiente

<sup>6</sup> Climatescope 2012 ( MIF, Bloomberg.)

<sup>7</sup> The key MFIs as yet do not have clearly defined credit lines for alternative energy. This does not mean that some of the loans are used for purchases of energy saving goods, but it is as yet very incipient, and with great potential for developing the market. As noted in the text, one of the main obstacles is a lack of consumer awareness of what goods are available in the market.

<sup>8</sup> Construyendo Mercados Inclusivos en El Salvador, Agua y Microseguros, 2011, page 32, UNDP & FUSAI

<sup>9</sup> Some beneficiaries will acquire water solutions, others will acquire energy solutions, and some may acquire both.

<sup>10</sup> Sanitation products will also be introduced, such as efficient water closets, toilets and drainage, as needed and if so concluded after the market study.

<sup>11</sup> This means quality control with technical specifications and standardized, tested products. The EA will hire technical experts to create and test minimum quality standards and labels to indicate that the water and energy products have been tested and reached these minimum standards.

<sup>12</sup> These products exist in the market, the product design is to develop a financial product that will meet the lowest income population.

Existing products not available in rural and peri-urban areas will be made available during the course of the project<sup>13</sup>. Households can purchase energy (solar, biogas, and fuel efficient stoves, energy saving appliances and light bulbs) and/or water products (efficient methods of storage, potabilization, conservation, and distribution systems that includes filters, piping, and water tanks, sanitation products such as efficient toilets and drainage) which are installed and maintained by certified technicians.

- 2.9 In order to increase the availability of credit to finance the purchase of these solutions, credit officers from at least three MFIs will be trained and microcredit products adapted to the needs, preferences, and economic capabilities of the end customer. The project is open to include any MFI that is interested, prepared and capable to serve this population with new and innovative credit products.
- 2.10 The average loan size to finance a water or renewable energy system is expected to be around US\$100-200. Funding of loans for the MFIs and water operators may be provided, if needed, by the Pro Habitat Fund, created in 1999 and managed by FUSAI, which provides microfinance retailers with finance for home improvements, and to developers for the provision of basic services. The executing agency will hire consultancy services to design the financial products. These products will have loan conditions that are adapted to low-income population (terms, interest rates, operative mechanisms for disbursements and collection, as well as the security provided by the community-based organizations, etc.).
- 2.11 The proposed model is adapted from a project for general housing improvements piloted by FUSAI in early 2012. The model entails a network of private sector entities consisting of companies producing or importing water and energy products, hardware stores (43 Construfácil stores in 7 departments) that sell the products, installation technicians, community promoters and organizations (ADESCO), operators of private village-based water and energy utilities, and financial institutions. In addition, during the different stages of implementation, the EA will organize workshops and outreach activities with unions, associations, and nongovernmental organizations in order to create synergies, coordination with other activities and participation, including the commercial sector (suppliers, shops, manufacturers, importers, etc.). This business model is apt for replication in a number of countries throughout the region, e.g. Nicaragua, Honduras, Guatemala, and Mexico given the large number of poor households that face similar constraints in water and energy. The beneficiary communities are poor and low income, according to the poverty map of El Salvador<sup>14</sup>. They have been selected based on that FUSAI and Prohabitat have already been operating the model for progressive housing in these areas, together with Red Construfácil. The expansion to other areas will be based on the market study, and taking into account the lessons of the pilot phase of the project. The expected beneficiaries are family members, subsistence level micro entrepreneurs (bakeries, mechanics, handicraft, home improvement, etc.), small family businesses (formal and informal), salaried workers (agriculture or at nearby factories), and remittance recipients, with monthly family incomes up to four minimum wages, in rural and peri-urban areas.

---

<sup>13</sup> A number of products are produced locally (e.g. Solar powered lamps (by Rambiental), water tanks (by Plycem). A brand of solar lamp, originally developed in Bolivia – Pico – is stocked by a number of suppliers, and importers throughout Central America. Both aforementioned lamps have undergone testing by communities. There is also close collaboration with Salvadoran universities in testing the the locally produced solar lamp.

<sup>14</sup><http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/LACEXT/EXTLACREGTOPPOVANA/0,,contentMDK:22416591~pagePK:34004173~piPK:34003707~theSitePK:841175,00.html>

2.12 The project will contribute to improve the socio-economic conditions as a result of improved benefits associated with access to water and energy because both impact on the earning potential and income, and quality of life of low-income households.<sup>15</sup> The well-being of women and girls will be enhanced by the reduction in time and cost of fetching or purchasing water<sup>16</sup>. Additionally access to water and energy supplies will support private sector development through new opportunities for income-generating enterprises of households that currently have no electricity supply, and cost savings for existing micro and small business that have unreliable or interrupted services. It is expected that the adoption of more efficient technologies in energy access will help reduce the effects on climate change. Therefore, during project execution, the executing agency will monitor the different solutions' effects on emissions. For this purpose the baseline study will include this aspect of the project.

#### **D. Experience to date**

2.13 FUSAI has over a decade of experience with a model that combines microloans and technical assistance in construction and improvement of low-income housing. FUSAI has also supported developers for the installation of water and infrastructure. In the energy sector MIF has supported projects in Nicaragua with private sector companies (Technosol and Ecami) in developing and expanding the solar energy business model for low-income families and the GasBan experience with community promoters in Argentina. The MIF funded program "Ecomicro" will provide valuable lessons and knowledge on the development of financial products for the clean energy sector for low-income populations.

2.14 In 2011 a joint study by FUSAI and UNDP provided a comprehensive national overview of the current situation in water demand and supply and identifies the constraints market gaps and opportunities for greater private sector participation in the water sector. The study includes "heat maps" which define the territorial locations of greater need and potential demand which have been used to target beneficiaries of this project. Additionally in 2012 FUSAI commissioned a rapid appraisal survey to gather specific information that would provide some indicative figures and general on the current costs and type of water and energy supply of the target population in order to establish the likely potential demand and willingness to pay for new options for water and renewable energy. The random sample of 350 households was made up of existing clients of two MFIs (Integral, and Fundacion Campo), and customers of the Construfacil hardware stores. The respondents were informal and formal small and micro entrepreneurs, salaried workers, remittance receivers and small-scale farmers, between the ages of 18 and 65 years old, with incomes of less than 4 minimum salaries, residing in urban, peri-urban and rural areas. The key findings of the study shows that there is a strong potential demand and clear opportunities to convert it into effective demand. The preferences most frequently cited are for storage tanks and water filters, 42% of respondents said they would be willing to invest between US\$100 and US\$200, on these goods. In addition, 43% expressed interest in solutions of no more than US\$300, financed with small loans with monthly payments of US\$30. Similar results were obtained for demand for renewable energy products: 72% were interested in purchasing solar powered lamps, water heaters, and energy-saving appliances, such as refrigerators for

---

<sup>15</sup> Report provides estimates of water supply impact on child health by income group. (Galini, Jalin, and Ravallion 2003)

<sup>16</sup> Women and girls between four to six hours daily fetching water. (UNDP-FUSAI, 2011)

both domestic and small business use. 63% indicated willingness to spend between US\$100-US\$200 on these products. The preferred point of purchase is local hardware stores.<sup>17</sup>

- 2.15 In March 2012, FUSAI launched an initiative with HOLCIM, a Swiss-based global building materials company, and the MFI Integral, in a pilot program using Construfacil hardware stores network as the outlet to provide technical assistance, material and credit. The initiative aims to help improve the quality of life of low-income families located in rural and peri-urban areas through small individual loans with joint liability for home improvement, with community organizations providing the security for the loans. The community organization forms a Credit Committee that track the loans and implementation. To date, 38 hardware stores are in the network and the results have been encouraging, with increases in sales and loans taken. HOLCIM estimated that 13% its total sales are through these stores, reaching more than 165,000 low-income families. The partnership between HOLCIM, Integral and FUSAI provides a robust platform for an expansion of a new range of financial and non-financial products to provide water and energy to poor families.

#### **E. Relationship to MIF Basic Services agenda and the strategy of the Bank**

- 2.16 The MIF “Basic Services for the Poor” agenda, to which this project contributes, seeks to test innovative models and reduce poverty by promoting more equal access to basic services. The MIF contributes with technical and financial added value and complements this strategy by developing, testing and expanding a supplier network-based business model providing sustainable and integrated water and energy products to low-income populations in rural and peri-urban El Salvador. The project is aligned with the Bank's country strategy in El Salvador, in each of the following priority sectors: Energy Sector and its strategic goal of "Increasing renewable energy sources", and the priority area "Water and Sanitation" and strategic objective "Improving coverage and management of water and sanitation services in rural areas." In addition, the project will seek synergies to complement other Bank operations in the same sectors such as ES-L1046, ES-T1171 in water and sanitation, and RG-L1030 in energy.

### **III. Objectives and Description**

#### **A. PROGRAM GOAL AND PURPOSE**

- 3.1 The expected impact of this project is to improve the quality of life of poor and low income populations in rural and peri-urban areas in El Salvador. The result is to facilitate access to alternative energy and water products through a credit and distribution model.
- 3.2 To achieve this objective, the project will include the following three key components: (i) Awareness campaign; (ii) Create credit products and provide training, and (iii) Systematization and knowledge dissemination.

---

<sup>17</sup> Morales, cited in UNDP, 2011

## **B. Description of Components**

- 3.3 **Component 1: Awareness campaign.** The purpose is to increase the awareness among consumers at the bottom of the pyramid, credit providers and distributors about alternative and affordable energy and water products. The main activities are: (i) consultancy to design the awareness campaign; (ii) consultancy to execute focus group for products and demand; (iii) consultancy to implement the awareness campaign (radio, loudspeakers, distribution of pamphlets, bulletins, business trade shows); (iv) consultancy to develop the marketing tools and implement the market strategy (graphic material support, promotional video, radial patterns). The results are: (i) an awareness campaign developed and implemented with the actors of the network; (ii) at least 6,000 households in 7 departments reached by campaign; (iii) 4 MFI's sensitized on the products and market opportunities, and (iv) 50 product distributors sensitized on the products and market opportunities.
- 3.4 **Component 2: Create credit products and provide training to implement model.** The purpose is to develop new financial products for water and energy products and structure the distribution network for water and energy products through establishment of alliances and training main actors of the distribution network (community promoters, end customers, retailers, credit providers and product suppliers). The component also includes the provision of small loans to beneficiaries who are eligible for credit as evaluated by the different financial institutions that are associated with the project and to apply appropriate products developed by it. If required, additional resources for loans can come the Pro-Habitat Fund, which is administered by FUSAI. The activities are: (i) consultancy to develop new microfinance products for the intended target group and purpose; (ii) consultancy to train MFI loan officers, community promoters, installers and hardware store personnel in the technical specifications of the products (finance and other) and on the identification of environmental impacts and risks associated with water and sanitation systems<sup>18</sup>; (iii) consultancy to create quality standards and labels for the water and energy products; (iv) consultancy to organize and execute training events for end users, of which 50% will be women, provided by certified installers, and sales staff to support the use and sustainability of the energy and water products. The results of this component are: (i) 2 new financial products created; (ii) 6,000 microcredits offered to final customers; (iii) 60 credit advisors; 10 technical providers; 30 hardware stores sales staff, and 10 installers have been trained, and (iv) Quality control system created.
- 3.5 **Component 3: Systematization and knowledge dissemination.** The objective of this component is to document, organize and communicate the results of the "network of suppliers" model generated by the project in order to raise awareness and knowledge through detailed technical guidelines for replication in El Salvador and other countries in Central America that face similar challenges in terms of access to water, cooking and energy services in poor households. The main audiences interested in the knowledge generated from the project will be: microfinance institutions, private companies and

---

<sup>18</sup> Such as the protection of water sources, vulnerability of the systems to natural disasters, the need for sanitation systems/facilities, the regulatory framework regarding water supply and wastewater discharge, etc

public institutions in environment and development areas. A database will be collected on these regionally. These audiences will be reached using the following channels: a project website that will be financed with the MIF's Contribution, FUSAI and the project partner's website, workshops and meetings. In terms of knowledge generation and dissemination FUSAI will be using its own human resources specialized in outreach and communication. For purposes of satisfying the knowledge needs of the strategic audiences, the following products will be developed as part of the project: (i) an infographic that represents the process and results of the implementation of the "network model"; (ii) an audiovisual on the changes accomplished in the target communities; (iii) technical guidelines explaining the process of implementation of the model, a deep description of each phase, recommendations and lessons learned; and (iv) and a regional seminar to share experiences, co-organized with the MIF. On an annual basis, the Executing Agency will update the Project Fact Sheet (template provided by the MIF), which contains basic information on the project, its results and lessons learned.

- 3.6 The expected results of this component are: (i) at least 2 institutions in 2 countries in Central America contacted and have expressed an interest for replication; (ii) 10,000 users have downloaded the knowledge products from the project's website; (iii) 30 organizations have participated in the regional seminar to raise awareness on replicating the model and received a copy of the project Fact Sheet.
- 3.7 Overall, the project will contribute to the following results: (i) 4,800 targeted poor and low-income households have improved access to safe and purified water through water products/solutions; (ii) 3,000 targeted poor and low-income households have access to energy saving technologies and products; (iii) 6,000 microloans have been granted for water or energy products; (iv) sales of products related to the project have increased by 120%. The main impacts will be: (i) 3,000 participating households report reduction in household expenditure in monthly water costs (baseline US\$2 a day/per family/per barrel); (ii) 3,000 participating households report reduction in household expenditure on traditional fuels such as wood (baseline 3 kg per person per day); (iii) Increase in average annual household income expressed in US\$ (participating households with income-generating activities); (iv) Increase of number of hours devoted by women to other activities (work, leisure, information, etc.) instead of fetching water (baseline 4 hours a day); and (v) 20 % increase of sales of energy and water home solutions in participating retail stores.

#### **IV. Cost, Financing and Sustainability**

- 4.1 **Summary cost table.** The project's estimated total cost is US\$ 1,382,967 with US\$ 988,507 in non-reimbursable funds coming from MIF and US\$ 394,460 from counterpart.

| DESCRIPTION  | MIF            | Counterpart cash | Counterpart in-kind | Total            |
|--|----------------|------------------|---------------------|------------------|
| Component I: Awareness campaign                            | 264,400        | 44,600           | 79,000              | 388,000          |
| Component II: Create credit products and provide training  | 335,540        | 103,760          | 69,500              | 508,800          |
| Component III: Systematization and knowledge dissemination | 94,000         | 5,500            | 20,500              | 120,000          |
| Project administration                                     | 154,400        | 43,600           | 28,000              | 226,000          |
| Ex-post reviews  | 20,000         | -                | -                   | 20,000           |
| Baseline and evaluations                                   | 35,000         | -                | -                   | 35,000           |
| Contingency  | 20,000         | -                | -                   | 20,000           |
| <b>SUBTOTAL</b>  | <b>923,340</b> | <b>197,460</b>   | <b>197,000</b>      | <b>1,317,800</b> |
| Agenda account   | 20,000         | -                | -                   | 20,000           |
| Impact Evaluation account (5%)                             | 45,167         | -                | -                   | 45,167           |
| <b>TOTAL</b>   | <b>988,507</b> | <b>197,460</b>   | <b>197,000</b>      | <b>1,382,967</b> |

- 4.2 **Sustainability.** The sustainability is based on the demand created, the financial robustness of the business model and the strength of the network. FUSAI's ongoing pilot with HOLCIM has demonstrated the need, financial viability as well as positive results and social return in creating inclusive markets. The long-term sustainability depends on increasing volume, scale, and greater market penetration of underserved markets. Other investors such as the Pro Habitat Fund have also expressed interest in providing credit to scale up the project. By creating the market and the demand through the incorporation of more MFIs, more high quality and affordable products in more hardware stores, and more outreach to rural poor the project will secure long term sustainability.
- 4.3 **Systemic Impact.** The network approach of this project will allow the MIF to harness synergies among a number of stakeholders: micro finance institutions, HOLCIM and the Construfacil network, and private suppliers. The project creates the conditions for the growth and expansion of the network which will include new partners that together combine their comparative advantages to create a mix of financial and technical support services, which currently are not available to low-income families. The new extended network includes renewable energy product manufacturers, distributors of construction materials, such as PLYCEM, SEESA, RAMBIENTAL, Salvadol, Tecnosolar and Microenergy International, and microfinance institutions (among others Integral, AMC, PADECOMS, and Fundación Campo).

## V. Executing Agency and Mechanism

### A. Executing Agency

- 5.1 The Executing Agency will be *Fundación Salvadoreña de Apoyo Integral* (FUSAI), a nonprofit organization created in 1993. In the early years it gained experience in the design and management of multi-component programs; resettlement and post disaster reconstruction, basic infrastructure and services, land acquisition, training and micro and small business development<sup>19</sup>. In 1999 FUSAI set up a Funding Facility<sup>20</sup>, to provide finance and technical assistance for innovative solutions and poverty reduction for the base of the income pyramid market. FUSAI has previous experience working with a wide range of agencies and social investors, (e.g. Kellogg Foundation, Sida, AECID, Norad, Danida, and the IDB/MIF).
- 5.2 FUSAI's mission is to promote social inclusion by creating effective companies that meet demand for products and services for families at the base of the income pyramid. FUSAI's vision is to become a recognized national and international reference for the start-up and development of sustainable and effective nonprofit companies with business models that are sustainable, profitable and environmentally friendly that create new and innovative responses for combating poverty. It also has a vast experience in the microcredit area.
- 5.3 FUSAI has a strong history of working with multiple stakeholders: low-income families, municipal governments, and private companies. FUSAI's Pro Habitat Fund has over thirteen years of experience working with a network of key partners that will facilitate the implementation of the new model. The project's objectives are aligned to the types of services that FUSAI provides: small loans for the economic growth of business. Additionally, FUSAI is a recognized national institution in water and basic services provision. The accumulated experience places it in a strategic position because of its understanding of the sector and the target group.

### B. Executing Mechanism

- 5.4 **Project Execution Unit.** To facilitate implementation of the proposed project, a Project Execution Unit (PEU) will be set up in FUSAI's offices in San Salvador. The PEU will consist of a Project Coordinator, an Administrative Assistant, and an accountant. The PEU will be responsible for technical implementation, as well as project management and all reporting and administration related to Bank/MIF requirements. The project will have a steering committee convened twice annually by FUSAI and be made up of one representative of each of the participating stakeholders (HOLCIM, MFI, etc), where all the different partners will report on the progress of the project and give strategic advice on major decisions and directions.
- 5.5 **Disbursement by Results.** Project disbursements will be contingent upon verification of achievement of milestones. These milestones will be verified using their means of verification, which will be agreed upon between the Executing Agency and the MIF (see

---

<sup>19</sup> In the last decade FUSAI has benefited 45 communities with improved shelter; 13,000 families with basic services and 8,000 land titles.

<sup>20</sup> With seed capital provided by the Swedish Development organization, Sida

Annex IV). Achievement of milestones does not exempt the Executing Agency from the responsibility of reaching the logical framework indicators and the project's objectives. According to the Performance and Risk-based project Management approach, project disbursement amounts will be based on the project's liquidity needs, for a maximum period of 6 months. These needs must be agreed upon between the MIF and the Executing Agency and will reflect the activities and costs scheduled in the annual planning exercise. The first disbursement will be issued upon achievement of Milestone 0 (conditions prior) and subsequent disbursements will be issued as long as two conditions are met: (i) MIF has verified that milestones have been achieved, as agreed to in the annual plan; and, (ii) that the Executing Agency has justified 80% of all cumulative advances.

- 5.6 **Procurement and Contracting.** For the procurement of goods and contracting of consulting services, the executing agency will apply IDB policies (GN-2349-9 and GN-2350-9). Given that the "Diagnostic of Executing Agency's Needs – DNA" generated a low level of need/risk classification<sup>21</sup>, the project team has determined as stipulated in Appendix 4 of the IDB Policies, the Executing Agency which belongs to the private sector, will use the private sector procurement methods as specified in Annex 1 of the Operational Guidelines for Technical Cooperation projects (OP-639). In addition, the review of procurement and contracting processes will be conducted ex post on an annual basis. Before engaging in procurement and contracting for the Project, the executing agency shall submit a Procurement Plan, which will be reviewed and updated as required on an annual basis to reflect changes for consideration by the IDB.

## VI. Monitoring, Evaluation, and Risks

### A. Monitoring and Evaluation

- 6.1 The MIF in El Salvador will be responsible for the monitoring and supervision of the project including processing of disbursements. The Supervision Team, together with the Executing Agency, will develop an Annual Operating Plan for each calendar year of project execution, which will outline targeted results for the year derived from the project logical framework, a schedule of planned activities including expected dates for achievement of the agreed milestones, and projected procurement and disbursements linked to the achievement of the project's milestones.
- 6.2 FUSAI in El Salvador will be responsible for ensuring that an adequate monitoring and evaluation system is in place to track the indicators in the log frame and other products and results from the project intervention. This system should include the creation of an appropriate baseline to measure the progress achieved on the logframe indicators during and at the end of project execution. The tracking tools will measure conditions that affect men and women differently to determine access, use, control of resources and distribution of costs and benefits. The tracking will measure changes in the condition and roles of women and men over time.

---

<sup>21</sup> <http://mif.iadb.org/projects/prjrissummary.aspx?proj=ES-M1031>

- 6.3 **Project Status Reports:** FUSAI will be responsible for presenting Project Status Reports (PSRs) to the MIF within thirty (30) days after the end of each semester, or more frequently and on such dates as the MIF shall determine, by providing at least sixty (60) days advance notice to the Executing Agency, including the pertaining supporting documents for the achievements reported. These PSRs will follow the format established electronically by the MIF and will contain information on project execution, achievement of milestones, and completion of project objectives as stated in the logical framework and other operative planning instruments. The PSRs will also describe Project issues encountered during execution and outline possible solutions. Within ninety (90) days after the end of the execution term, the Executing Agency will submit a Final Project Status Report to the MIF, which will highlight results achieved, project sustainability, and lessons learned.
- 6.4 **Financial Supervision:** FUSAI will establish and maintain adequate accounts of its finances, internal controls, and project files systems, according to the financial management policy of the IDB/MIF. Given that the Diagnostic of Executing Agency Needs (DNA) generated a low level of need/risk in financial management<sup>22</sup> the review of supporting documentation for disbursements will be conducted ex-post and on an annual basis.
- 6.5 During project execution, the frequency of ex-post reviews for procurement processes and supporting documentation for disbursements, as well as the need for additional financial reports can be modified by the MIF based on the results of the ex-post review reports conducted by external auditors during project execution.
- 6.6 The IDB/MIF may contract independent auditors to carry-out the ex-post reviews of procurement processes and of supporting documentation for disbursements. Ex post reviews will include an analysis of the Financial Statements that the Executing Agency should prepare annually as part of its financial management. The costs associated with this contract will be financed with the MIF contribution resources, according to the IDB procedures.
- 6.7 **Evaluations.** The project will undergo two specific evaluation interventions: a mid-term evaluation, and a final evaluation. A baseline data collection exercise is required to ensure that project indicators may be monitored effectively at mid-point and end of the project. The mid-term evaluation will be carried out at half of the execution period or at 50% of disbursements, whichever happens first, and will be more formative or process-oriented, focused on ensuring that the project performs as planned and providing recommendations for adjustments to the project plan, if necessary. The final evaluation, to be carried out at the end of execution or 95% of disbursements, whichever happens first, will focus to a greater extent on measurable results of the project, and any lessons learned or opportunities generated that might inform any future projects. A regional event will be organized in the last year of execution to discuss actions to ensure the sustainability, replicability and scale up of the results. Three months before the end of the execution period a closing workshop will be organized to evaluate with key stakeholders the results achieved. The presumed evaluation questions are: i) Have the better access to the products, both financial and other, improved the socioeconomic situation of the poor and low-income population participating

---

<sup>22</sup> <http://mif.iadb.org/projects/prjrissummary.aspx?proj=ES-M1031>

in the project?; ii) Did the activities of the project increase awareness and demand for the products?; iii) Has the network of suppliers been structured as intended?; iv) Did the use of the energy and water home solutions reduce household expenditure for both items?; v) To what extent do the beneficiaries report saving in energy, fuel and water products?; vi) To what extent did women achieve socio-economic benefits as a result of this intervention?

## VII Program Benefits and Risks

### A. Program Benefits and Development Impact

- 7.1 This project will benefit at least 4,800 low-income households (the majority run micro and small family enterprises at the household level). 80 % will be rural, and 20% peri-urban. The families have a household income of 1 to 2 minimum wages, equal to US\$105-210 per month for an entire family, or about US\$3-4 per day per family which is under the national poverty line<sup>23</sup>.
- 7.2 The project is expected to improve the target groups' socio-economic conditions as a result of access to a safe, reliable supply of potable water and/or energy resources. Progress will be tracked by impact indicators as follows: (i) Household savings as a result of the new water and energy products installed; and (ii) Hours of accessing reliable and quality water and energy.

### B. Risks

- 7.3 **(i) Execution.** Coordinating and organizing multiple partners in the distribution network (hardware stores, producers) and credit providers (MFIs). This risk will be mitigated by ensuring that only firmly committed partners participate and that enhanced staff training and high quality marketing/publicity material guarantee that the incentives are in place for all involved partners. FUSAI has ample and proven experience in managing and coordinating various inclusive businesses; this know-how should help mitigate organizational risk. **(ii) Sustainability:** Profitability and willingness to pay. Ensuring profitable administration of very small loan amounts to beneficiaries that are located in dispersed rural and atomized peri-urban areas can be a challenge. Also, poor quality and/or incorrect use and installation of solar panels may reduce willingness to pay. To mitigate this, an effective collection system will be put in place to optimize costs. The training and use of community promoters will also reduce this risk. Additionally, the MFIs have a sizeable existing customer base among the target population as does the hardware stores in the network; thus the existing networks and established business relations will help offset the challenges of reaching the target population. Finally, well selected and professionally designed products and executed training of technicians will also mitigate this risk. **(iii) External Risks:** The region is also prone to natural disasters which could impose a risk to the products, especially solar panels and water supply and purification systems. Information about preventive measures and what to do in the case of a natural disaster will mitigate this risk.

---

<sup>23</sup> In El Salvador the poverty line is at the cost of "one basic food basket" (*canasta basica*) which is US\$45 in urban areas and US\$28 in rural, i.e. approximately US\$1-2 per day per person.

## **VIII Environmental and Social Considerations**

- 8.1 There is an environmental impact or risk associated with the eventual increased demand for water and its consequent impact on the water sources and the need for sanitation systems. This impact could be mitigated through the implementation of the recommendations described above for the component 1 and 2. In general, some positive long-term effects environmental benefits can be expected from implementing solutions with more efficient and secure water supplies, and from the reduction of energy by using efficient light bulbs, appliances and solar panel systems.

**LOGICAL FRAMEWORK**  
**ACCESS TO ALTERNATIVE ENERGY AND WATER PRODUCTS THROUGH A CREDIT AND DISTRIBUTION MODEL IN EL SALVADOR**  
**(ES-M1031)**

| NARRATIVE SUMMARY  | INDICATORS  | VERIFICATION MEANS   | ASSUMPTIONS  |
|--|---|--|--|
| <p><b>IMPACT</b></p> <p>Improve the quality of life of poor and low income populations in rural and peri-urban areas in El Salvador.</p> | <p>At the end of the project:</p> <ul style="list-style-type: none"> <li>• 3,000 participating households report reduction in household expenditure in monthly water costs (baseline US\$2 a day/per family/per barrel)</li> <li>• 3,000 participating households report reduction in household expenditure in alternative fuels such as wood (baseline 3 kg per person per day)</li> <li>• Increase in average annual household income expressed in US\$ (participating households with income-generating activities)</li> <li>• Increase in number of hours devoted by women to other activities (work, leisure, information, etc.) instead of fetching water (baseline 4 hours a day)</li> <li>• 20% increase of total volume of sales from energy and water home solutions of participating retail stores.</li> </ul> | <ul style="list-style-type: none"> <li>• Customer surveys of savings in water and energy bills.</li> <li>• Household surveys of reported reduction of time fetching water per day by women and girls</li> <li>• Statistics on credits granted by MFIs</li> <li>• List of new products, technologies introduced; list of suppliers, distributors and installers properly certified.</li> <li>• Sales Reports on purchase of products and technology.</li> </ul> | <ul style="list-style-type: none"> <li>• The interest and participation of stakeholders in the value chain remains stable and favorable.</li> <li>• Customer Interest in new products and services</li> <li>• Ability of suppliers to convert potential demand to effective demand.</li> </ul> |

| NARRATIVE SUMMARY   | INDICATORS  | VERIFICATION MEANS  | ASSUMPTIONS   |
|---|---|---|---|
| <p><b>RESULT</b></p> <p>Facilitate access to alternative energy and water products through a credit and distribution model in the departments of Cabañas, Chalatenango, Cuscatlan, La Libertad, La Paz, Santa Ana, and Sonsonate.</p> | <p>At month 36:</p> <ul style="list-style-type: none"> <li>• 4,800 targeted poor and low-income households have improved access to safe and purified water through water products/solutions</li> <li>• 3,000 targeted poor and low-income households have access to energy saving technologies and products</li> <li>• 6,000 microloans have been granted for water or energy products</li> <li>• Sales of products related to the project have increased by 120%</li> </ul> <p>At month 24</p> <ul style="list-style-type: none"> <li>• 4,000 poor and low-income households have access to at least one of the two new financial products (microloans) developed by participating MFIs for water or energy products</li> <li>• Cooperation agreements established with two suppliers of products and technologies for water and energy</li> <li>• Cooperation agreements established with 2 microfinance institutions to provide micro-loans for water and energy products to target population</li> <li>• Cooperation agreements established with ten installers of water and energy home solutions</li> </ul> | <ul style="list-style-type: none"> <li>• Statistics and client registries on credits granted by MFIs.</li> <li>• Water samples collected by technicians.</li> <li>• Implementation Guide designed for financial products.</li> <li>• Progress report of pilot phase implementation.</li> <li>• Agreements signed with the actors of the value chain.</li> <li>• Final evaluation with satisfaction survey.</li> </ul> | <ul style="list-style-type: none"> <li>• Financial products respond to the characteristics of the demand.</li> <li>• The actors of the value chain are actively involved in the project.</li> <li>• Customers recognize the portfolio of products and technology, as part of the solution to their problems.</li> </ul> |

| NARRATIVE SUMMARY   | INDICATORS   | VERIFICATION MEANS  | ASSUMPTIONS  |
|---|--|---|--|
| <p><b>Component 1: Awareness campaign.</b></p> <p>The purpose is to increase the awareness among consumers at the bottom of the pyramid, credit providers and distributors about alternative and affordable energy and water products</p> | <p>At month 12:</p> <ul style="list-style-type: none"> <li>• 6,000 poor and low income households (located in 7 target communities) informed and educated about the benefits of the new water and energy products.</li> <li>• 7 community organizations in each target municipality actively participating in awareness campaigns.               <ul style="list-style-type: none"> <li>- 4 MFIs sensitized on the energy and water products and market opportunities;</li> <li>- 50 product distributors sensitized on the energy and water products and market opportunities;</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• Promotional materials in various formats</li> <li>• Qualitative Data from Focus groups with value chain providers and suppliers</li> <li>• Technical visits</li> </ul> | <p>Financial products and market penetration strategy are successful and meet the demand characteristics.</p> <p>Customers respond positively to marketing and publicity drive</p> |

| NARRATIVE SUMMARY  | INDICATORS  | VERIFICATION MEANS  | ASSUMPTIONS  |
|--|---|---|--|
| <p><b>Component 2: Credit products and provide training.</b></p> <p>The purpose is to develop new financial products for water and energy products and structure the network for water/sanitation and energy products by informing and training the main stakeholders.</p> | <p>At month 36 (end of project):</p> <ul style="list-style-type: none"> <li>• Creation of 2 new financial products completed</li> <li>• 6,000 credits and an average of \$150 microcredits offered to final customers at least half for women</li> <li>• 60 credit advisors; 10 technical providers; 30 hardware stores sales staff, and 10 installers have been trained</li> <li>• Quality control system created and functioning</li> </ul> <p>At month 18</p> <ul style="list-style-type: none"> <li>• Technical assistance and training plan developed and implemented with the actors of the value chain and 3 suppliers, products, installers and distributors certified with the quality control.</li> <li>• 50 community technicians trained and 5 training modules have been replicated.</li> <li>• Cooperation agreements established with 30 retail stores and distributors of water and energy products.</li> </ul> | <ul style="list-style-type: none"> <li>• Training and technical assistance Plans.</li> <li>• Reports from consultancies.</li> <li>• Educational material prepared.</li> <li>• Reports of technical assistance</li> <li>• Training events conducted.</li> <li>• List of participants</li> <li>• Agreements signed with stakeholders of the value chain.</li> <li>• Portfolio of certified products.</li> <li>• List of certified suppliers, distributors and instalers.</li> </ul> | <ul style="list-style-type: none"> <li>• Stable employment of trained technical staff</li> <li>• Trained staff ,carry out training onas part of their duties</li> <li>• Stakeholder s agreement to participate in training.</li> <li>• Stakeholder synergy.</li> <li>• Availability and willingness of final customers to</li> <li>• Participate in</li> </ul> |

| NARRATIVE SUMMARY   | INDICATORS   | VERIFICATION MEANS   | ASSUMPTIONS  |
|---|--|--|--|
| <p><b>Component 3: Systematization and knowledge dissemination.</b></p> <p>The purpose is to create a mechanism to disseminate and share the experiences of the project with the goal to replicate in other countries with similar circumstances.</p> | <ul style="list-style-type: none"> <li>• At least 2 institutions in 2 countries in Central America contacted and have expressed an interest for replication</li> <li>• 10,000 users have downloaded the knowledge products from the project's website</li> <li>• 30 organizations have participated in the regional seminar to raise awareness on replicating the model and received a copy of the project fact sheet</li> </ul> | <ul style="list-style-type: none"> <li>• Distribution list of promotional material.</li> <li>• FPH website</li> <li>• Regional Seminar Report.</li> <li>• Documents and communication products produced</li> </ul> | <p>educational process and replicate technical assistance.</p> <ul style="list-style-type: none"> <li>• The program of events and activities scheduled is fulfilled.</li> <li>• Willingness to participate in national and regional actors involved in the subject.</li> </ul> |

| NARRATIVE SUMMARY  | INDICATORS   | VERIFICATION MEANS  | ASSUMPTIONS   |
|--|--|---|---|
| <p><b>Component 1: Awareness campaign</b></p> <p>1.1 Design of training plan and preparation and publication of educational material support.</p> <p>1.2 Development and implementation of focus group.</p> <p>1.3 Create and Implement Educational and promotional strategy of product to final customers.</p> <p>1.4 Implement 2 promotional and dissemination campaigns (Radio, loudspeakers, distribution of pamphlets, bulletins, business trade shows)</p> <p>1.5 Development of marketing tools and implementation of market strategy.</p> <p>1.6 Development and implementation of dissemination and promotion plan. (Graphic material support, promotional video, radial patterns).</p> | <p>At months 3:</p> <ul style="list-style-type: none"> <li>ToR for study of public promotion and awareness campaign developed.</li> </ul> <p>At month 8:</p> <ul style="list-style-type: none"> <li>Study to develop the public awareness campaign is completed.</li> </ul> <p>At month 12:</p> <ul style="list-style-type: none"> <li>Public awareness campaign program is launched in 3 communities</li> </ul> <p>At month 15:</p> <ul style="list-style-type: none"> <li>Public awareness campaign program is launched in 7 communities.</li> </ul> | <ul style="list-style-type: none"> <li>Terms of Reference.</li> <li>Signed Contracts</li> <li>Expenditure vouchers</li> <li>Draft reports</li> <li>IDB approvals</li> <li>Final report</li> </ul> | <ul style="list-style-type: none"> <li>Project technical conditions remain</li> </ul> |

| NARRATIVE SUMMARY   | INDICATORS  | VERIFICATION MEANS   | ASSUMPTIONS   |
|---|---|--|---|
| <p><b>Component 2: Create credit products and provide training.</b></p> <p>2.1 Develop new microfinance products for the intended target group and purpose</p> <p>2.2 Train MFI loan officers, community promoters, installers and hardware store personnel in the technical specifications of the products (finance and other) and on the identification of environmental impacts and risks associated with water and sanitation systems<sup>1</sup>;</p> <p>2.3 Design of the quality control system (products, suppliers, distributors, installers and maintenance);</p> <p>2.4 Training of end users, of which 50% will be women, provided by certified installers, and sales staff to support the use and sustainability of the energy and water products.</p> | <p>After 3 months:</p> <ul style="list-style-type: none"> <li>• Training plan designed</li> </ul> <p>After 10 months:</p> <ul style="list-style-type: none"> <li>• Technical assistance plan finalised to support suppliers, MFIs, dealers and installers of water and energy products and systems.</li> <li>• Design and implementation of an educational strategy and product promotion of water and energy products to the final customers.</li> </ul> <p>After 12 months:</p> <ul style="list-style-type: none"> <li>• System created for the quality control of minimum standards and labels for products, suppliers, distributors, installers and maintenance design .</li> <li>• All technical installation, and support personnel have been trained.</li> </ul> <p>After 18 months:</p> <ul style="list-style-type: none"> <li>• Educational modules implemented, trained credit customers.</li> <li>• Promotional campaigns carried out in the project intervention areas;</li> <li>• Design and implementation of marketing and promotion plan of products produced.</li> <li>• MFIs advisors trained.</li> </ul> | <ul style="list-style-type: none"> <li>• Terms of reference.</li> <li>• Contracts.</li> <li>• Sales vouchers</li> <li>• IDB approvals</li> </ul> | <ul style="list-style-type: none"> <li>• Project technical conditions remain</li> </ul> |

| NARRATIVE SUMMARY  | INDICATORS  |  | VERIFICATION MEANS  | ASSUMPTIONS |
|--|---|--|---|-------------|
| <p><b>Component 3: Systematization and knowledge dissemination.</b></p> <p>3.1 Produce and systematize project experience in technical guidelines</p> <p>3.2 Bimonthly production and distribution of newsletter.</p> <p>3.3 Improvement and maintenance of the website.</p> <p>3.4 Produce video</p> <p>3.5 Final regional seminar.</p> | <p>After 6 months.</p> <ul style="list-style-type: none"> <li>• Study of private supplier and product, availability (water and energy)</li> <li>• Study of market segmentation.</li> <li>• Design of financial products and structure the value chain business model.</li> </ul> <p>After 12 months</p> <ul style="list-style-type: none"> <li>• Pilot of new financial products implemented and evaluated</li> <li>• Design and implementation of the marketing strategy.</li> </ul> <p>At the end of the project:</p> <ul style="list-style-type: none"> <li>• An infographic that represents the process and results of the implementation of the “value chain model”</li> <li>• An audiovisual on the changes accomplished in the target communities</li> <li>• Technical guidelines created</li> <li>• A regional seminar to share experiences, co-organized with the MIF</li> </ul> | <ul style="list-style-type: none"> <li>• Terms of reference.</li> <li>• Contracts.</li> <li>• Expenditure vouchers</li> <li>• IDB approvals</li> </ul> | <ul style="list-style-type: none"> <li>• Project technical conditions remain</li> </ul> |             |

<sup>1</sup> Such as the protection of water sources, vulnerability of the systems to natural disasters, the need for sanitation systems/facilities, the regulatory framework regarding water supply and wastewater discharge, etc



|  | Unit  | Unit cost | Quantity | Total            | MIF            | Counterpart cash | Counterpart In-kind | Total Counterpart |
|--|-------|-----------|----------|------------------|----------------|------------------|---------------------|-------------------|
| Design of a plan for dissemination of best practices.                  | N/A   | 15,000.00 | 1        | 15,000           | 10,000         | 2,500            | 2,500               | 5,000             |
| TA to implement plan for dissemination of best practices.              | N/A   | 25,000.00 | 1        | 25,000           | 17,000         | 3,000            | 5,000               | 8,000             |
| Design and dissemination of electronic bulletin                        | N/A   | 5,000.00  | 1        | 5,000            | 5,000          | 0                | 0                   | -                 |
| Improving the current website of FPH                                   | N/A   | 5,000.00  | 1        | 5,000            | 4,000          | 0                | 1,000               | 1,000             |
| Realization of video footage and recording                             | N/A   | 15,000.00 | 1        | 15,000           | 13,000         | 0                | 2,000               | 2,000             |
| Systematization of lessons learned document developed and disseminated | N/A   | 25,000.00 | 1        | 25,000           | 20,000         | 0                | 5,000               | 5,000             |
| Regional seminar to exchange experiences co-organized with MIF         | N/A   | 30,000.00 | 1        | 30,000           | 25,000         | 0                | 5,000               | 5,000             |
| <b>Total component 3</b>   |       |           |          | <b>120,000</b>   | <b>94,000</b>  | <b>5,500</b>     | <b>20,500</b>       | <b>26,000</b>     |
|  |       |           |          |                  |                |                  |                     | -                 |
| <b>4. PROJECT ADMINISTRACION</b>                                       |       |           |          |                  |                |                  |                     |                   |
|  |       |           |          |                  |                |                  |                     | -                 |
|  | Unit  | Unit cost | Quantity | Total            | MIF            | Counterpart cash | Counterpart In-kind | Total Counterpart |
| Coordinator  | Month | 3,500     | 40       | 140,000          | 140,000        | 0                | 0                   | -                 |
| Financial assistant  | Month | 800.00    | 40       | 32,000           | 0              | 32,000           | 0                   | 32,000            |
| Office equipment   | Month | 1,500.00  | 36       | 54,000           | 14,400         | 11,600           | 28,000              | 39,600            |
| <b>Total administracion</b>  |       |           |          | <b>226,000</b>   | <b>154,400</b> | <b>43,600</b>    | <b>28,000</b>       | <b>71,600</b>     |
|  |       |           |          |                  |                |                  |                     | -                 |
| <b>SUBTOTAL</b>  |       |           |          |                  |                |                  |                     |                   |
|  |       |           |          |                  |                |                  |                     | -                 |
|  | Unit  | Unit cost | Quantity | Total            | MIF            | Counterpart cash | Counterpart In-kind | Total Counterpart |
| COMPONENT No 1   |       |           |          | 388,000          | 264,400        | 44,600           | 79,000              | 123,600           |
| COMPONENT No 2   |       |           |          | 508,800          | 335,540        | 103,760          | 69,500              | 173,260           |
| COMPONENT No 3   |       |           |          | 120,000          | 94,000         | 5,500            | 20,500              | 26,000            |
| <b>Subtotal of component</b>   |       |           |          | <b>1,016,800</b> | <b>693,940</b> | <b>153,860</b>   | <b>169,000</b>      | <b>322,860</b>    |
|  |       |           |          |                  |                |                  |                     | -                 |
| PROJECT ADMINISTRACION   |       |           |          | 226,000          | 154,400        | 43,600           | 28,000              | 71,600            |
| Ex Post reviews  |       |           |          | 20,000           | 20,000         | 0                | 0                   | -                 |
| Base line and evaluation   |       |           |          | 35,000           | 35,000         | 0                | 0                   | -                 |
| Contingency  |       |           |          | 20,000           | 20,000         | 0                | 0                   | -                 |
| <b>Subtotal</b>  |       |           |          | <b>1,317,800</b> | <b>923,340</b> | <b>197,460</b>   | <b>197,000</b>      | <b>394,460</b>    |
| Agenda account   |       |           |          | 20,000           | 20,000         | 0                | 0                   | -                 |
| Evaluation account   |       |           |          | 45,167           | 45,167         | 0                | 0                   | -                 |
| <b>TOTAL</b>   |       |           |          | <b>1,382,967</b> | <b>988,507</b> | <b>197,460</b>   | <b>197,000</b>      | <b>394,460</b>    |
|  |       |           |          |                  | <b>0.70</b>    | <b>0.15</b>      | <b>0.15</b>         |                   |

## QUALITY FOR EFFECTIVENESS IN DEVELOPMENT (QED)

**Instructions:**

Fill the orange cells of the "Project Score column" with a score from 0 to 2 where:

- 0 = No aligned/ No compliant/ False
- 1 = Partially aligned/ Partially compliant/ Ambiguous
- 2 = Aligned /Compliant/ True

| DIMENSIONS  | Project Score<br>from 0-2 | COMMENTS      |
|---|---------------------------|---------------|
| <b>Dimension 1. MIF Strategic Development Objectives – Area Rating</b>  | <b>7.25</b>               |               |
| <b>Access Framework</b>   |                           |               |
| <i>Access Area (Only one option can be selected)</i>  |                           |               |
| Access to Finance   |                           |               |
| Access to Markets and Capabilities  |                           |               |
| Access to Basic Services  | 2                         |               |
| Special Topic: Haiti  |                           |               |
| <i>Relation to the Agenda's Objectives</i>  |                           |               |
| There is a causal relation between project objective and the agenda's objective.  | 1                         |               |
| The project has potential for scalability after execution   | 1                         |               |
| <i>Specific benefits for women</i>  |                           |               |
| The project has specific benefits for women   | 1                         |               |
| <i>Specific benefits for the environment</i>  |                           |               |
| The project has specific benefits for the environment (GHG reduction, water savings, conservation, biodiversity)  | 2                         | water savings |
| <i>Relation to the MIF Objectives</i>   |                           |               |
| <i>Target 1: Private Sector Development</i>   |                           |               |
| Innovation  | 2                         |               |
| Creating Markets and Adding Market Players  | 2                         |               |
| Entrepreneurship  | 2                         |               |
| Building Private Institutional Capacity   |                           |               |
| Technology & Human Capital  | 2                         |               |
| Higher Standards of Corporate Governance  |                           |               |
| Strengthening Legal and Regulatory Framework  |                           |               |
| Development of financial institutions and financial markets   |                           |               |
| Improved access to basic services   | 2                         |               |
| <i>Target 2: Targeting the poor</i>   |                           |               |
| The project will be implemented in a region with a high incidence of poverty ( <a href="http://mif.iadb.org/poverty/home">poverty map resources http://mif.iadb.org/poverty/home</a> ) or target beneficiaries from the poor strata | 2                         |               |
| <b>Dimension 2. Additionality- Area Rating</b>  | <b>5.00</b>               |               |
| MIF non-financial contribution is critical for developing the project.  | 1                         |               |
| MIF financial contribution is critical for developing the project (there is little or no alternative funding)   | 1                         |               |
| MIF participation will mobilize counterpart funding that otherwise won't be available   | 1                         |               |
| MIF participation will likely improve project structure by providing technical advice, institutional credibility and/or lessons learned/best practices from other MIF projects  | 1                         |               |
| MIF participation will likely strengthen the institution(s) directly involved with the project  | 1                         |               |
| <b>Dimension 3. Project Diagnosis – Area Rating</b>   | <b>8.00</b>               |               |
| <i>Diagnostic of the problem</i>  |                           |               |
| The problem or need that the project attempts to address has been clearly identified in consultation with stakeholders (borrowers, executing agencies, male and female beneficiaries, other interested parties)                     | 1                         |               |
| The causes of the problem, their interrelationships and magnitudes are clearly identified   | 2                         |               |
| <i>Proposed Solution</i>  |                           |               |
| The proposed solution is logically connected and related to the magnitude of the problem  | 2                         |               |
| Relevant lessons learned from previous similar interventions in this country or other country (PSRs, ASRs, mid-term evaluations, final evaluations or other evaluation document) are taken into consideration                       | 1                         |               |

|   |   |  |
|---|---|--|
| Evidence is provided as to the effectiveness of the intervention proposed based on experience in other settings, or previous experience in the same setting | 2 | same country, but different sector (housing) |
|---|---|--|

|   |              |  |
|---|--------------|--|
| <b>Dimension 4. Logical Framework Quality - Area Rating</b>   | <b>7.75</b>  |  |
| The desired impact of the project is clearly stated in the logic framework  | 2            |  |
| The result of the project contributes to the achievement of the impact and is clearly stated in the logic framework   | 2            |  |
| The components contribute to the achievement of the results and include the necessary outputs to attain the purpose   | 2            |  |
| The activities contribute to the achievement of the outputs   | 2            |  |
| A baseline value or a predetermined starting point has been identified for each relevant indicator, as well as intermediate values, target values and sources of data or a plan for collecting them |              |  |
| Indicators are SMART (Specific, Measurable, Achievable, Realistic and Time-Bound)   | 1            |  |
| The source, or means for collecting data (for outcomes, outputs and activities) actually exist, either with the executing agency or in any other external or internal source                        | 2            |  |
| The assumptions needed for the execution of the project and the achievement of the objectives have been identified  | 2            |  |
| <b>Dimension 5. Risks – Area Rating</b>   | <b>10.00</b> |  |
| The experience and the skills of the executing agency have been evaluated   | 2            |  |
| The risks for the execution of the project and the achievement of the objectives have been identified   | 2            |  |
| All risks have identified proper mitigation measures which can be tracked during project implementation   | 2            |  |
| Compliance with IDB environmental/social policies   | 2            |  |
| <b>Dimension 6. Monitoring &amp; Evaluation, and Strategic Communication</b>  | <b>8.25</b>  |  |
| <b>Monitoring &amp; Evaluation</b>  |              |  |
| Monitoring mechanisms have been planned and budgeted  | 2            |  |
| The project has an evaluation plan  | 1            |  |
| The evaluation questions are defined  | 2            |  |
| The evaluation type/ methodology is defined   | 2            |  |
| Results potential   | 2            |  |
| Impact Potential  | 1            |  |
| <b>Knowledge Sharing &amp; Communication</b>  |              |  |
| The audiences and the desired action of the audiences as a result of the communication strategy have been identified  | 2            |  |
| The message and the communication channels that the communication strategy will convey are clearly defined and appropriated according to the different audiences identified                         | 1            |  |
| The knowledge sharing products are defined and appropriate to the different audiences   | 2            |  |

|                            |             |  |
|----------------------------|-------------|--|
| <b>PROJECT TOTAL SCORE</b> | <b>7.71</b> |  |
|----------------------------|-------------|--|

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK  
MULTILATERAL INVESTMENT FUND

PROPOSED RESOLUTION MIF/DE-\_\_\_/13

El Salvador. Nonreimbursable Technical Cooperation ATN/ME-\_\_\_\_-ES  
Access to Alternative Energy and Water Products through  
a Credit and Distribution Model in El Salvador

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank or such representative as he shall designate is authorized, in the name and on behalf of the Bank, as Administrator of the Multilateral Investment Fund, to enter into such agreements as may be necessary with Fundación Salvadoreña de Apoyo Integral (FUSAI), and to take such additional measures as may be pertinent for the execution of the project proposal contained in document MIF/AT-\_\_\_ with respect to technical cooperation for access to alternative energy and water products through a credit and distribution model in El Salvador.

2. That up to the amount of US\$988,507 or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to the resources of the Multilateral Investment Fund.

3. That the above-mentioned sum is to be provided on a nonreimbursable basis.

(Adopted on \_\_\_ \_\_\_\_\_ 2013)