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RURAL FINANCE INITIATIVE

Annual Report
Fiscal Year 2018 – Year 3
October 2017 – September 2018

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Annual Report

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Cover Photograph

Women leaders from Bancompartir's Soy Líder Program.

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Acronyms

AFP	Asociación de Fundaciones Petroleras (Association of Petroleum Foundations)
AMEP	Activity Monitoring & Evaluation Plan
APS	Annual Program Statement
BEP	Beneficios Económicos Periódicos (Periodical Economic Benefits)
BC	Banking Correspondent
BdO	Banca de las Oportunidades
CDLO	Community Development and Licit Opportunities
DCA	Development Credit Authority
DDL	Development Data Library
Emprender	Organismo Cooperativo Microempresarial de Colombia (Micro-Entrepreneurial Body of Colombia)
FAO	Food and Agriculture Organization
FI	Financial Intermediary
FINAGRO	Fondo para el Financiamiento del Sector Agropecuario (Fund to Finance Agriculture)
GLAC	Local Savings and Credit Groups
GVP	Gender and Vulnerable Populations
HR	Human Resources
LOP	Life-of-project
M&E	Monitoring and Evaluation
MoU	Memorandum of Understanding
MSME	Micro, Small and Medium Enterprises
P2P	Person to Person
PIR	Project Intermediate Result
PIRS	Performance Indicator Reference Sheet
PMA	Producers to Markets Alliance
RFI	Rural Finance Initiative
TA	Technical assistance
UNODC	United Nations Office on Drug and Crime
USAID	United States Agency for International Development
VCF	Value Chain Finance

Introduction

Colombia's sophisticated financial infrastructure largely fails to reach rural and agricultural families. This is why the Rural Finance Initiative (RFI –or the Initiative) is committed to reducing barriers of risks, costs, and information, to help rural families access financial services, ultimately boosting economic growth and working to break the mutually reinforcing cycles of inequality and conflict. The Initiative's activities include connecting financial intermediaries (FI) with rural clients through tailored financial products, and by expanding delivery channels, reducing transaction costs, leveraging value chain opportunities, and promoting digital financial services. To this end, RFI provides technical assistance (TA) –including trainings and grants to FIs and other partners. This report covers activities implemented by RFI during Year 3 of implementation, or Fiscal Year 2018 (October 2017 – September 2018).

As agreed upon with USAID in Year 3, RFI reports indicator progress with a one-quarter delay to facilitate data validation and accuracy of data provided by FI partners (See Section II Monitoring and Evaluation for more information). As such, quantitative results included in this report correspond to Q1, Q2 and Q3 for indicators 1-7, which are the indicators reported to RFI by FI partners. Indicators 9-11 rely on data generated directly by RFI and therefore are reported for all four quarters

In Year 3, RFI surpassed its five-year, life-of-project (LOP) target of US\$500 million in financial services, with a cumulative portfolio of US\$626,410,156, including loans, savings, and insurance, as shown in Figure 1. This year, it also surpassed the life-of-project target of 200,000 clients and reached a cumulative total of 462,122 new clients, approximately 49% of them women. See Figures 1. and 2. for summaries of results.

Figure 1. RFI Cumulative Results

Financial Service Type	LOP Target Number of Clients	Year 1-3 Target Number of Clients	Year 3 to Date Number of Clients Achieved	LOP Target Value of Financial Services (US\$)	Year 1-3 Target Value of Financial Services (US\$)	Year 3 to Date Value of Financial Services Achieved (US\$)
Loans			220,779			556,065,109
Savings			94,262			64,839,878
Insurance			146,901			5,505,169
TOTAL	200,000	75,000	462,122	500,000,000	134,500,000	626,410,156

During Year 3, some of the most significant achievements included market expansion, value chain finance, improved enabling environment for digital financial services, and gender and vulnerable populations inclusion.

Continued Market expansion through incentive and challenge grants. In Y3 RFI helped nine of its partner FIs open 14 branch offices and 27 banking correspondents (BC) in its target municipalities, bringing numbers to 38 branches and 100 correspondents to date, supported by incentive grants for market expansion. Likewise, RFI supported partner FIs to pilot and begin launching digital financial services and channels, supported by challenge grants. This included the creation of an insurance department in one of our FIs –Banco Mundo Mujer–, enabling it to control products and offering customers a greater range of financial products and services. This year, RFI completed implementation of three Phase I incentive grants (Coofisam, Banco Mundo Mujer and Bancamia) and two challenge grants

(Banco de Bogotá –successfully concluded– and NASA Community). The Initiative awarded and began implementing 25 new grants: Ten of these were Phase II incentive grants awarded to Bancompartir, Interactuar, Microempresas de Colombia, Opportunity, Congente, Coofisam, Banco de Bogotá, Crezcamos, Banco Mundo Mujer and Davivienda; one was a Phase I incentive grant for new partner Contactar; and another 14 were challenge grants for digital and other innovations in financial services.

Value Chain Finance (VCF): Based on lessons learned from extensive Year 2 VCF pilots, during Year 3, RFI developed and disseminated a VCF processes and procedures manual to its partner FIs and USAID. The model focuses on tailoring risk analysis and financial services for multiple actors within the same value chain, including anchor organizations (such as a producer association or private firm) and their members and suppliers. FIs like Opportunity and Interactuar have already begun implementing the model and successfully financed value chains with RFI technical assistance. For instance, Interactuar embarked on an ambitious plan to finance 600 plantain producers, of which they have already disbursed loans for 150 of them so they can comply with health regulations and continue exporting their products. These banks can now implement the entire model on their own (see VCF in Section I for further information).

Other RFI partners like Bancamia, Banco de Bogotá, Davivienda, Bancompartir and Microempresas de Colombia have embarked on the model and are at different stages of implementation. Interestingly, Microempresas decided to expand on the methodology and implement it in even more territories (non-RFI target area like Muriticá and Cañas Gordas). The bank, on their own, identified coffee growers, offered loans to producers and strengthened anchor organizations of the identified value chains, proving that this is an attractive and viable model to finance small producers. Lastly, RFI also presented the model to other partner FIs including Congente, Crezcamos, Banco Agrario and Coofisam. New partner Contactar will start implementing VCF methodology in Year 4.

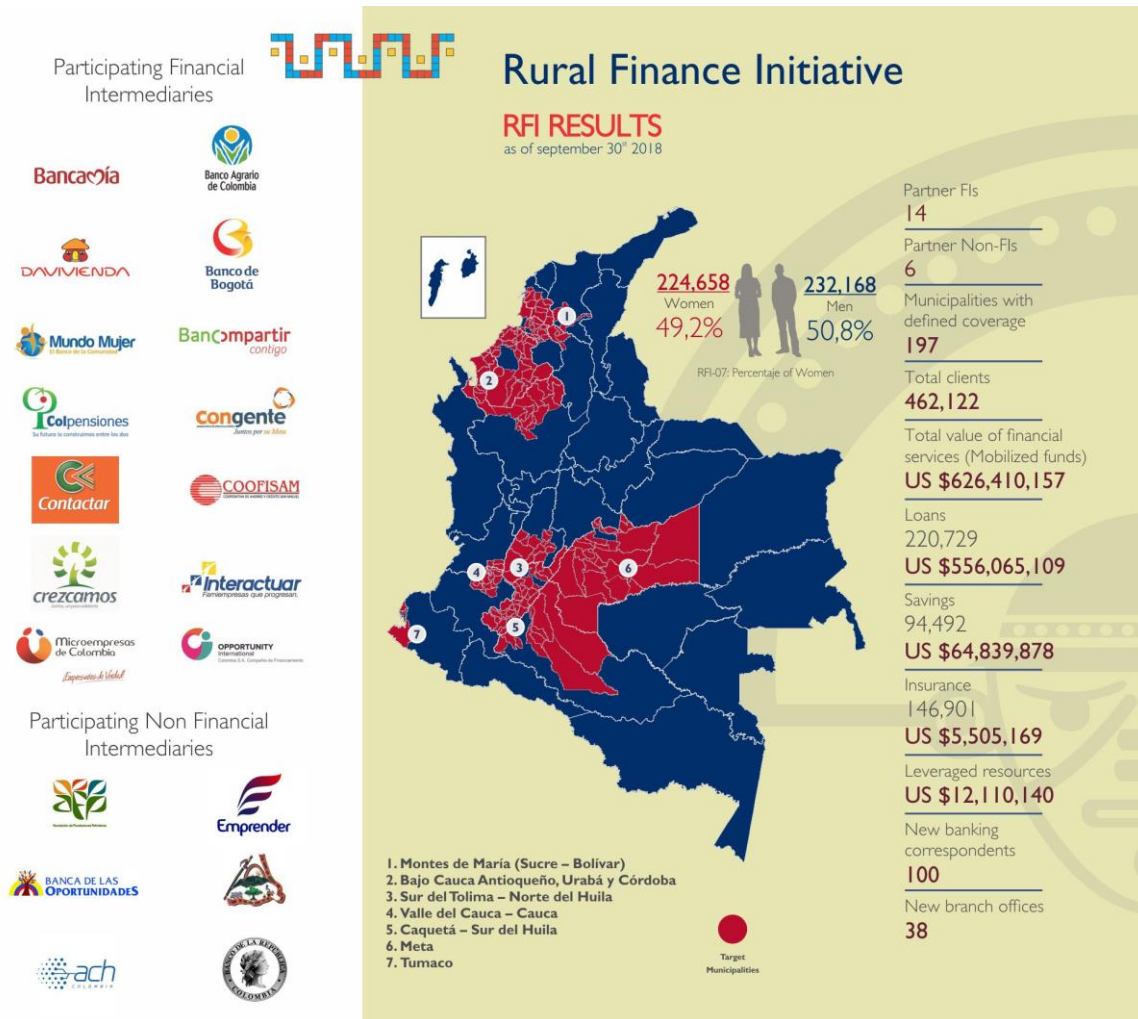
Improved digital enabling environment. RFI supported different challenge grants that helped lay the groundwork for digital financial services to drive financial inclusion. This includes grants like ACH-Colombia –awarded by RFI in Q4– which seeks to design an ambitious interbank switch for rural customers to use at scale for small amount transactions. This is a much-needed tool to facilitate access to formal financial services in rural areas and reduce cash operations, with the potential to reduce risk and cost for bank and clients alike. To design this activity, RFI drew on lessons from a Q2 visit to the Philippines and research on Latin American experiences.

In addition, RFI worked with entities like the Financial Superintendence to create needed regulations for digital financial products and services. Lastly, some of the most relevant work in this topic was coordinated with Banco de la República, in order to gather information that enables the bank to create strategies on how to reach rural populations with digital financial services. To this end, RFI hired market research company YanHaas, which conducted an in-depth survey in three target municipalities. This exercise is ongoing and RFI will hold an event to showcase these results publicly in Year 4.

Gender and Vulnerable Populations (GVP)-related activities. To link women, ethnic minorities, and other vulnerable groups with financial services, in Year 3, RFI continued supporting activities that help remove barriers for these populations through its partner FIs and other organizations. Notably, the Initiative helped the NASA Project build a financial education model that serves the indigenous group’s “life plan” and helps them manage their rotating loan fund for economic empowerment. In addition, RFI helped Bancompartir re-design their Soy Líder Program –in which Bancompartir uses

community leaders to broaden their range of customers and geographical coverage— referred 234 clients to the bank and advocated for 201 loan approvals worth COP \$981,770,000.

Figure 2. RFI Results through Year 3 September 30, 2018



* Leveraged resources are calculated using the exchange rate agreed upon in each grant. The number, originally calculated in COP, is COP \$35,730,258,417.

I. Results and Performance

I. Summary of Results

During Year 3, RFI showed outstanding performance, meeting or exceeded targets for many of its key results indicators, both for Year 3 and for the five-year life of project (See Figure 3.)

Figure 3. RFI Year 3 Results Summary

Indicator	Year 3 Target	Year 3 Results	Life of Project Target	Year 3 Cumulative Results
Total number of clients	40,000	184,057	200,000	462,122
Number of active clients	45,000	385,945	112,500	385,945
Total value of financial services	US \$85,000,000	252,198,451	500,000,000	626,410,156
Value of rural and agricultural loans	US \$76,500,000	US \$215,347,144	US \$450,000,000	US \$556,065,110
Outstanding portfolio	US \$58,500,000	318,744,576	210,000,000	318,744,576
Portfolio at risk	7%	6%	5%	6%
Percentage of women	50%	49.2%	50%	49.2%

Some of RFI's most successful indicators, which have exceeded set targets are the total number of clients (exceeding Year 3 targets by 460%), the number of active clients (exceeding Year 3 targets by 858%), total value of financial services (exceeding Year 3 by 297%) and value of rural and agricultural loans (exceeding Year 3 by 281%). RFI still has opportunities to improve, however, particularly in indicator for portfolio at risk and for percentage of women. The PAR indicator is at 6% better than the 7% target for Year 3, showing lower risk than anticipated. However, it is above the 5% Year 5 target, pointing to the need for RFI to continue working with FI partners next year to ensure a healthy portfolio. RFI's clients are 49.2% women, almost reaching the 50% target, and the Initiative plans to build on this an effort to exceed the target by Year 5.

II. Results by Economic Corridor

During Year 3, RFI reported financial services operations in all 197 of its target municipalities, as indicated in Figure 4:

Figure 4. RFI Target Municipalities by Economic Corridor

Economic Corridor	Departments	Municipalities	Number of Municipalities	
Bajo Cauca Antioqueño - Sur de Córdoba	Antioquia	Angostura, Anorí, Apartadó, Arboletes, Briceño, Cáceres, Campamento, Carepa, Caucasia, Chigorodó, El Bagre, Ituango, Mutatá, Nechí, Necoclí, San Andrés De Cuerquía, San José De La Montaña, San Juan De Urabá, San Pedro De Urabá, Santa Rosa De Osos, Taraza, Toledo, Turbo, Valdivia, Yarumal, Zaragoza	26	55

	Córdoba	Ayapel, Buenavista, Canalete, Cereté, Chimá, Chinú, Ciénaga de Oro, Cotorra, La Apartada, Lórica, Los Córdoba, Momil, Moñitos, Montelíbano, Planeta Rica, Pueblo Nuevo, Puerto Escondido, Puerto Libertador, Purísima, Sahagún, San Andrés de Sotavento, San Antero, San Bernardo del Viento, San Carlos, San José de Ure, San Pelayo, Tierralta, Tuchín, Valencia	29	
Caquetá	Caquetá	Belén de los Andaquíes, Cartagena del Chaira, El Doncello, La Montañita, Morelia, Paujil, Puerto Rico, San José del Fragua, San Vicente del Caguán	9	40
	Huila	Acevedo, Agrado, Algeciras, Altamira, Campoalegre, Elías, Garzón, Gigante, Guadalupe, Hobo, Iquira, Isnos, La Argentina, La Plata, Nátaga, Oporapa, Paicol, Palermo, Palestina, Pital, Pitalito, Rivera, Saladoblanco, San Agustín, Santa María, Suaza, Tarqui, Teruel, Tesalia, Timaná, Yaguará	31	
Cauca - Sur del Valle del Cauca	Cauca	Buenos Aires, Caldone, Caloto, Corinto, Guachené, Jambalo, Miranda, Morales, Padilla, Piendamó, Puerto Tejada, Santander de Quilichao, Silvia, Suárez, Toribio, Villa Rica	16	20
	Valle del Cauca	Candelaria, Florida, Jamundí, Pradera	4	
Meta	Meta	Acacias, Barranca de Upía, Cabuyaro, Castilla la Nueva, Cubarral, Cumaral, El Calvario, El Castillo, El Dorado, Fuente de Oro, Granada, Guamal, La Macarena, Lejanias, Mapiripán, Mesetas, Puerto Concordia, Puerto Gaitán, Puerto Lleras, Puerto López, Puerto Rico, Restrepo, San Carlos de Guaroa, San Juan de Arama, San Juanito, San Martín, Uribe, Vistahermosa	28	28
Montes de Maria	Bolívar	Arjona, Cicuco, Córdoba, El Carmen de Bolívar, El Guamo, Magangué, Mahates, María la Baja, Mompos, San Jacinto, San Juan Nepomuceno, Talaigua Nuevo, Turbaco, Turbana, Zambrano	15	33
	Magdalena	Plato, Santa Ana	2	
	Sucre	Betulia, Buenavista, Chalan, Coloso, Corozal, El Roble, Galeras, Los Palmitos, Morroa, Ovejas, Palmito, Sampues, San Onofre, San Pedro, Sincé, Tolviejo	16	
Sur del Tolima - Huila	Huila	Aipe, Baraya, Colombia, Tello, Villavieja	5	19
	Tolima	Ataco, Chaparral, Coyaima, Espinal, Guamo, Natagaima, Ortega, Planadas, Prado, Purificación, Rioblanco, Roncesvalles, Saldaña, San Antonio	14	
Tumaco	Nariño	Francisco Pizarro, Tumaco	2	2

RFI has worked in the above economic corridors to yield the following results in Year 3 (see Figures 5 and 6) regarding number of clients and financial services provided by type and location. Shown below, 49.2% of RFI clients were women, compared to the Year 3 target of 50%. RFI facilitated US\$252,198,451 in financial services, compared to the Year 3 target of US\$85,000,000.

Figure 5. Year 3 – Clients by Corridor*

CORRIDOR	Women	Men	Sex Not Reported	Enterprise Client	Total
BAJO CAUCA ANTIOQUEÑO - SUR DE CÓRDOBA	26,980	27,483	523	46	55,032
CAQUETÁ	16,274	19,501	1,609	47	37,431
META	9,063	8,769	129	186	18,147
MONTES DE MARÍA	18,747	18,928	418	16	38,109
NORTE DEL CAUCA- SUR DEL VALLE DEL CAUCA	10,447	8,735	138	30	19,350
SUR DE TOLIMA	6,281	6,043	830	22	13,176
TUMACO	1,399	1,229	184	0	2,812
	89,191	90,688	3,831	347	184,057

*Source: Data provided by partner FIs

Figure 6. Year 3 – Financial Services by Type and Location*

CORRIDOR	Loans		Savings		Insurance		Total	
	Clients	Value US\$	Clients	Value US\$	Clients	Value US\$	Clients	Value US\$
BAJO CAUCA ANTIOQUEÑO - SUR DE CÓRDOBA	24,051	63,370,924	14,808	2,145,280	16,173	648,538	55,032	66,164,743
CAQUETÁ	17,172	42,925,306	9,967	19,050,675	10,292	587,756	37,431	62,563,737
META	8,260	25,674,162	4,780	5,927,076	5,107	190,084	18,147	31,791,321
MONTES DE MARÍA	15,265	25,606,334	5,278	1,459,055	17,566	765,091	38,109	27,830,480
NORTE DEL CAUCA- SUR DEL VALLE DEL CAUCA	9,140	19,758,749	3,485	3,067,834	6,725	278,960	19,350	23,105,544
SUR DE TOLIMA	7,181	35,099,533	2,340	2,490,510	3,655	138,781	13,176	37,728,825
TUMACO	1,276	2,912,135	577	51,629	959	50,036	2,812	3,013,801
TOTAL	82,345	215,347,144	41,235	34,192,060	60,477	2,659,247	184,057	252,198,451

*Source: Data provided by partner FIs to RFI

II. Achievements

This section lays out Year 3 accomplishments under the Initiative's three Project Intermediate Results (PIRs).

PIR I: Rural Financial Intermediation Improved and Barriers Reduced

PIR I, Rural Financial Intermediation Improved and Barriers Reduced, activities lie at the heart of RFI, including connecting FIs with rural clients through well-designed financial products, expanding delivery channels, reducing transaction costs, leveraging value chain opportunities, and more recently in Year 3, introducing digital financial services. To achieve these results, Component 1 delivers technical assistance (TA) while Component 2 provides complementary mechanisms, such as grants and training. RFI's main mechanism to deliver TA is through "FI Work Plans," which RFI develops with each FI. These include goals and interventions for expanding rural financial services and are supported by RFI technical assistance and grants.

Component I: Rural Financial Intermediation Improved

This section first outlines achievements for each of RFI's 14 FI partners, followed by progress in value chain finance, and synergies with other government and private organizations.

In Year 3, RFI provided on-going TA to 14 partner FIs to continue, renew or start implementing their Work Plans for rural market expansion and financial products targeted for rural clients. In 2017, nine FIs that had signed incentive grants (all except Bancamia and Colpensiones) completed these Phase I incentive grants and corresponding Work Plans, and in Year 3 11 partner FIs started Phase II of their Work Plan, supported by follow-on grants. In addition, RFI engaged a new partner, Contactar, which received and begun implementing an incentive grant. Results per entity are as follows:

I. *Bancamia*: In Year 3, the Initiative and Bancamia concluded their Phase I Work Plan with notable progress in the following topics:

- i) *Expansion Plan and Adjusting the use of BC.* In Q2, RFI supported Bancamia's opening of a new branch office in San Vicente del Caguán (Caquetá). Throughout the year, RFI also assessed processes and procedures of some of the bank's departments and channels to recommend improvements.

In addition, the Initiative focused a large portion of its TA on improving the use of BCs. To this end, during Year 2, RFI restructured the BC model for the bank to expand beyond payment transactions, to allow clients to access new products, and carried out pilots in four municipalities. During Year 3, the



Inauguration of Bancamia branch office in San Vicente del Caguán.

Photo: RFI

Initiative evaluated the pilots' achievements and lessons learned –including an increase in the number of transactions per BC– and submitted a final report on channel use with recommendations for scale-up. The methodology developed by RFI enabled the bank to continue implementing the model and opening other BCs without RFI assistance.

ii) *Assessment of the current use of other key products and services.* During Year 2, RFI conducted a survey to identify potential improvements in the FI's financial products. The results from this survey allowed RFI to continue providing TA in specific areas such as savings, insurance, BCs and channels, VFC and credit during Year 3, with progress as follows:

a. *Savings.* This year, Bancamia conducted pilots to test the RFI-designed “Soñando Juntos” (Dreaming Together) savings product. The model required that everyone in the bank –from tellers to branch managers– have sales goals and work as a better-coordinated team. It also included adjustments to the bank's methods, such as account activation via telephone, providing infographics to potential clients for a better understanding of the savings product and an incentive scheme. Through these improvements, the bank would be able to increase channel efficiency, reactivate dormant accounts, reduce the minimum amount to open a savings account and increase savings in the target areas. The three pilots were 12 weeks long in the municipalities of Chaparral (Tolima), La Plata (Huila) and Corozal (Sucre).

Results in these three municipalities include up to 136 new accounts opened per month in a single branch, an increase in the average account balance in all three branches and an increase in the initial deposit when opening an account, as shown in Figure 7, below:

Figure 7. Results for Bancamia Savings Pilot*

Branch	Total number of new accounts opened during pilot	Average balance before pilot (COP\$)	Average balance during pilot (COP \$)	Reactivated accounts (% from contacted dormant accounts)
Chaparral (12 weeks)	349	2,666,667	14,193,333	N/A
La Plata (12 weeks)	407	4,666,666	19,666,666	47
Corozal (12 weeks)	257	17,333,333	17,143,333	N/A

* Averages for baseline data before the pilot are calculated using the three months prior to the pilot

Taking into account these positive results, the Bancamia is continuing to use the methodology, although they have made some adjustments to RFI's design in order to fit its business culture and goals. For instance, the bank decided to raise the minimum amount to open a “Soñando Juntos” account from COP \$20,000 to COP \$50,000, they are evaluating how and whether to implement the incentive scheme, and they might modify other characteristics of the “Soñando Juntos” product. Nevertheless, the bank is moving forward with scaling up and plans on bringing this product to its other target territories through a roll-out process in 2019.

b. *Micro-insurance.* RFI assessed the bank's insurance products throughout Year 3, in order to exchange knowledge and train the FI's staff on sales techniques specifically



Photo 1: RFI designed a board game to help bank officials build sales capacities to better promote insurance products.

for these products. RFI provided training material, including a board game that enables players to acquire new sales skills. Along with materials, RFI delivered training to different departments like marketing, product development, and Human Resources (HR). In turn, the bank adopted the processes and methods provided by RFI in its different departments, particularly HR, which is responsible for training sales teams. Since RFI completed the methodology transfer, trainees themselves will be able to train

other bank officials in the product and sell it effectively.

- c. *Financial education.* During Year 3, RFI conducted a study to measure the impact of “Echemos Números,” (“Looking at the Numbers”) the bank’s financial education program. To this end, the Initiative conducted a survey of 150 clients, in-depth interviews with the bank’s customer service leaders and held workshops with bank officials and customers alike. Figure 8 shows the TA provided in financial education to Bancamia.

Figure 8: TA Provided to Bancamia in Financial Education

Research with clients	Market research, in-depth interviews in three municipalities (Planadas, Chaparral and Planeta Rica)
	Final report and recommendations
Review of the Financial Education Program	Review modules and content
	Final report and recommendations at the end of the consultancy
Recommendations from the workshop with clients	Clients from Tierralta partake in the exercise
	Interviews with bank officials
	Interviews with clients
	Topic evaluation
	Logistics and invitation to the workshop
	Review the Trainer-of-Trainers workshop
	Final report
Recommendations from the Training-of-Trainers workshop	Bank officials in Bogotá partake in the exercise
	Interviews with bank officials
	Evaluation of online modules
	Topic evaluation
	Logistics and invitation to the workshop
	Review the Trainer-of-Trainers workshop
	Final report
Proposal for a set of indicators	Review the program’s current impact indicators
	Submit a proposal for a new set of indicators
	Structure indicators according to Bancamia’s social mission
	Presentation and filing of indicator development
Review and work plan for communications channels	Review the channels currently used for the bank’s financial education program
	Proposal to manage channels

	Consultancy and field work to submit a proposal for a rural laboratory integrated to the financial education program.
Content review and recommendations	Review material, channels and methodologies. Deliver report and recommendations
	Final report, conclusions and recommendations

RFI presented the final report on its research on client marketing for the bank to employ the most efficient possible method for financial education targeted for client needs, along with recommendations and financial education models.

2. Banco Agrario: During Year 3, Banco Agrario continued Phase II Work Plan activities, with a focus on the following topics. Noted below, the bank made more progress in some areas than others, due to the presidential election year which causes public sector entities to hold off on major decisions.

- i) *Reconstruction of credit history*. This had been a primary focus for Banco Agrario since Year 2. To this end, throughout Year 3, RFI developed and delivered the final guidelines for a new product that would allow the bank to award loans to marginalized, rural clients who could not previously access these services because they had no credit history. Nevertheless, the bank put this activity on hold because they decided making policy and product adjustments would require more extensive market research. Instead, it focused on expanding channels, discussed next.
- ii) *Channels*. With a new focus on channels, in Year 3 RFI started an assessment of the BCs and the “BAC más cerca” or “Banco Agrario Is Closer,” a type of channel that lies between a small branch office and a BC. The idea is to take these channels from transaction-only mechanisms, to active sales points that offer a range of financial services. In Year 4, RFI will conduct a field assessment in which Banco Agrario’s BCs can become a sales point for the bank.

Savings and loans. During Year 3, RFI began an assessment of both these topics. The Initiative held workshops for the bank’s chief trainers and meetings to discuss savings strategies, and RFI began collecting information on how the bank manages its savings division. This aims at improving sales advisors’ performance and effectiveness. RFI also started an assessment exercise for the loan division, which will evaluate the work of the microfinance division, agricultural advisors and the sales team that focuses on small producers. However, the bank halted work on these topics because of the country’s presidential elections and the subsequent reshuffling of the top positions at the bank. It is worth noting that the director of microfinance is still looking for ways to resume activities with RFI, despite pending staffing changes due to Colombia’s new presidential administration.

3. Banco Davivienda. After concluding the Phase I Work Plan in Year 2, in Year 3, USAID and RFI approved Davivienda’s Phase II Work Plan, which began implementation in Q3. Year 3 work was heavily focused on value chain finance, microloans (a new department in the bank created with RFI assistance) and the digital ecosystem. To this end, the FI progressed on:

- i) *Expansion Plan:* This year, in Q1, RFI supported the bank in opening three BCs in target municipalities of Santa María (Huila), Ataco (Tolima) and San Luis de Cubarral (Meta). These were important additions to the bank’s already large network, for they are steps towards serving the rural poor. Additionally, the Initiative is assisting Davivienda in an ambitious strategy that seeks to open Daviplata (mobile wallet) payment points of service, small replicas of a branch office via a local non-banking business, where clients can access the entire range of Davivienda financial services. During Year 3, RFI worked towards developing the sales strategy that will be implemented with Daviplata payment points of service and that will help reduce cash flow by offering digital financial services.

Finally, due to Davivienda’s high staff turnover, RFI retrained the microcredit sales team, which had six new members. To lower training costs, RFI started working on online modules that bank officials can use anywhere. RFI will be able to continue with module design once the bank defines the role of rural sales advisors. This is part of a new sales model for rural agencies, which seeks to serve a large untapped market that the bank has not previously targeted.

- ii) *Microfinance:* Despite Davivienda’s vast network and coverage, the bank had never served rural populations with microcredit products (the smallest loan a rural inhabitant could apply for was close to US\$2,000, or more than six times Colombia’s monthly legal minimum wage). To address this, RFI helped the bank create a microfinance division and designed pilots to try the model in six target municipalities in Tolima (Chaparral, Espinal and Ortega) and Huila (Palermo, Garzón and La Plata). Having successfully implemented the pilots in Year 2, this year, Davivienda asked for RFI’s help in making adjustments, which are contemplated in the Phase II Work Plan. These include a new approach to the microfinance advisors to expand their capabilities to manage several products in a specific geographic area. Additionally, the bank continued implementing the microfinance methodology in its initial six municipalities and during Year 3 it yielded a cumulative total of 1,774 loans approved for COP \$3.26 billion, or approximately US \$1.1 million This represents an increase of 971 loan approvals worth COP \$2.04 billion (or US \$696,070).

4. ***Banco de Bogotá:*** Banco de Bogotá completed work under its Phase I Work Plan last year. Phase II was signed and approved by both the Bank and USAID in Y3Q2. This year, RFI and the bank have made progress on:

- i) *Expansion Plan.* Banco de Bogotá is one of Colombia’s oldest and most stable banks with a 148 year-long history. Despite its vast reach and coverage across 800 of Colombia’s 1,100 municipalities, the bank seeks to strengthen its presence in isolated rural areas. This is at the heart of RFI, for it provides areas historically known for violence and exclusion with the potential to generate new opportunities for economic development. With RFI’s support, in Y3Q3, the bank opened a microfinance branch in Santander de Quilichao (Cauca). Additionally, the



Inauguration of Banco de Bogotá office for microfinance in Santander de Quilichao
Photo: RFI

Initiative also helped open a branch office in San Vicente del Caguán (Caquetá). After complications with the venue for the branch, during the last two quarters RFI helped the FI find a new location and is undergoing the necessary renovations to open the branch in Y4. Lastly, Banco de Bogotá identified a profitable business opportunity and opened a new branch at its own expense without financial support from RFI Bello Antioquia. RFI is providing TA to help this office reach target municipalities of Yarumal, Valdivia and Tarazá.

- ii) *Productivity*: In Year 2, The Initiative helped Banco de Bogotá with pilot exercises in Medellín and Villavicencio aimed at improving portfolio productivity. Having ended the pilot exercises with positive results, this year, RFI continued to work in productivity indicators with the bank. The Initiative submitted a strategy that involves coordinators, sales directors and managers, as to boost productivity from the top of the chain of command. Additionally, The Initiative seeks to expand the pilot in Antioquia, which only has two branches in RFI's target territories.
 - iii) *Enhance the Smart Coffee Card (Tarjeta Cafetera Inteligente)*. One of the bank's flagship products in rural areas, the card is not sufficiently utilized because clients do not know about all the services they can access with it. Recognizing this, RFI reviewed the services offered through the card and designed communications campaigns to showcase its advantages and boost uptake. This year, the Initiative designed content for workshops to train sales representatives so that they can efficiently promote and explain advantages of the product to clients. The communications strategy will be linked to a credit product. This topic is still pending the FI's approval in order to start implementation.
 - iv) *Expand financial services to small and medium businesses in rural areas*. In its quest to generate financial inclusion, this year RFI reviewed the bank's microfinance policies and procedures. These clients were served by branch sales representatives, who often failed to meet sales goals and portfolio performance indicators. To turn this around, RFI carried out three site visits in Tolima to assess why sales advisors do not adequately promote microcredit products. After gathering information and arriving at conclusions, RFI submitted a report with recommendations on their credit policy. However, since the person in charge of the department recently left the FI, this is on hold until Banco de Bogota fills the position.
5. *Banco Mundo Mujer*: This Year, the FI completed work contemplated in its Phase I Work Plan in Q2. RFI initially presented a model to work on BCs, but the FI did not accept it and preferred to continue using BCs as transactional channels, instead of RFI's approach that combines transactional actions with a sales agent. Because of this, Banco Mundo Mujer failed to meet its projected branch openings in Phase I. Nevertheless, the Initiative and the bank modified their approach towards the work plan to find new areas of aligned interests and focused on reviewing the FI's methodologies and products. RFI submitted recommendations, which were adopted by the bank, and included adjustments to their monitoring and oversight plans. This year also saw the beginning of their Phase II Work Plan. Progress in Year 3 gleaned the following results:
- i) *Assessment of key products and services*. RFI conducted the following activities:
 - a. *Savings*. The Initiative proposed a new model for the bank that involved the sales representatives. Rather than adopting the model in whole, the bank decided to take elements from RFI's proposal to create a model of their own.

- b. *Insurance.* In Year 3, under RFI guidance, the bank created its own insurance department, enabling it to control products as opposed to depending exclusively on insurance companies and their priorities. RFI helped the FI define roles and responsibilities, negotiation strategies when dealing with insurance companies, and pinpoint the needs that will arise when creating new insurance products. It also helped the bank review existing agreements with insurance companies in order to create a more beneficial balance between the companies and the FI. RFI designed a new insurance policy for Banco Mundo Mujer, along with a business plan for its implementation. During initial implementation in the municipalities of Chaparral and Montería, the bank experienced an improved business position vis-à-vis the insurance companies, with the bank realizing a larger commission. Currently, the Initiative is adjusting the sales model for the newly-designed policy and will develop a client loyalty strategy and market research to better target clients with specific insurance products.
- c. *Credit.* With Phase II, the Initiative began strengthening the bank's credit methodology, retraining their staff and reinforcing concepts for credit policies. Part of this includes strengthening the value proposition for micro, small and medium enterprises (MSME) and introducing segmentation for agricultural clients. To this end, RFI conducted an initial assessment of the bank's methodologies and training strategies. With the information gathered, RFI will continue helping Banco Mundo Mujer fine-tune their strategies so their credit methodologies are more efficient and effective.
- d. *Financial Education.* In Year 3, RFI reviewed the bank's current financial education model and established the scope and range of an impact analysis, which RFI will continue to conduct in Year 4.

Additional activities included in the Work Plan were related to the bank's market expansion plan. Despite not being able to work on other channels during Phase I, in Y3Q1, RFI supported Banco Mundo Mujer in opening a new branch office in Guamal, Meta.

- 6. *Bancompartir:* This year, Bancompartir started implementing its Phase II Work Plan, with progress in the following areas:
 - i) *Expansion plan.* During Year 3, RFI supported Bancompartir in opening two branch offices: One in Santander de Quilichao (Cauca) in Q1, and one in Apartadó (Antioquia) in Q3. The Initiative had originally planned to open four offices throughout the year; Granada opened to the public and is pending its official inauguration event. The Yarumal branch is already underway and should open in the coming months. In addition, RFI supported the opening of 15 banking correspondents in the target municipalities of Garzón, Puerto Libertador, Carmen de Bolívar, Granada, Apartadó, Montelíbano, Pitalito (three in this municipality), El Pital, Oporapa, Chinú, Yaguara, San Antero and Lorica.
 - ii) *Oversight of new branch offices.* As part of this year's TA, RFI assessed branch offices to compare and contrast methodologies and actions implemented and draw lessons learned to improve portfolio indicators. The Initiative quickly understood the best performance results were those of Bogotá branches, where branch directors were much more involved in day-to-day operations than in regions. To address this, RFI devised a strategy using Bogotá's best practices that included a fresh adoption of the microcredit methodology, zoning the sales force, talent management and training. The Initiative then began implementing the strategy

through pilots in Lorica and Carmen de Bolívar; the exercise is two months in with final results pending.

- iii) *Improve risk profile*: RFI conducted a study on the bank’s risk indicator levels to identify weaknesses in branch directors and bank officials. The study included establishing a baseline, so that the Initiative would know exactly what to work on each official. Throughout the year, RFI trained staff in specific topics like risk, sales, human resources and marketing; the Initiative also monitored progress on each issue. RFI is working with Bancompartir on the necessary modifications to improve the bank’s risk profile and build its capacity to manage risk.
- iv) *Implementation of special financial products for victims*. In Year 2, RFI and Bancompartir devised a model for products specifically for victims of Colombia’s armed conflict. However, after further analysis, RFI realized this was insufficient and modified its approach, helping the bank introduce the Soy Líder Program. This enabled the bank to find community leaders to make referrals and thereby broaden the range of customers, the geographical coverage and the potential client’s profile. This year, RFI expanded coverage from Bolívar, Córdoba and Nariño, to include the departments of Antioquia and Tolima. It is worth noting that despite the Girardot branch not being in an RFI target municipality, it serves RFI municipalities of Guamo and Espinal in Tolima.

To date, the Initiative and Bancompartir have engaged 21 leaders so they can recommend potential customers, while promoting the bank’s services in remote areas. During Year 3, Soy Líder referred 234 clients and advocated for 201 loan approvals worth COP \$981,770,000. Soy Líder yielded the following results through September 2018, as seen in Figure 9:

Figure 9. Soy Líder Results through September 30, 2018

Supervising Branch Office	Municipalities included	Number of leaders per municipality	Number of referred clients	Status	
				Loans Awarded	Amount awarded (COP)
Montelíbano	Cáceres, Caucasia, Puerto Libertador, Sa José de Une, Montelíbano	7	119	107	711,520,000
Carmen de Bolívar	San Juan de Nepomuceno, Carmen de Bolívar, San Jacinto	3	46	41	104,000,000
Tumaco	Tumaco	5	69	46	97,150,000
Girardot	Guamo, Espinal	4	8	7	69,100,000
Apartadó	Turbo, Apartadó	2	--	--	--
TOTAL		21	234	201	981,770,000

Source: Bancompartir

7. *Colpensiones*: When RFI awarded an incentive grant to Colpensiones, the idea was to take advantage of the FI’s existing group savings methodologies in order to expand Periodical Economic Benefits (BEPs – a program that seeks to encourage retirement savings, even if a person cannot afford to save the legally required minimum to be considered a pension fund). The Initiative and Colpensiones intended to identify and implement a technological solution that would enable rural populations to make cash-in operations and deposits on the spot towards their BEP. However, despite RFI’s best efforts and after reaching out to many of the

possible companies who could have provided this type of technological solution in Colombia, it was impossible to come to terms with any of them.

Because deposits on site were not going to be possible, the Initiative and Colpensiones suspended its grant and halted activities while they analyzed a joint solution. To address this, RFI adjusted the technical approach and focused on financial education efforts –a model that did not require a technological solution. Nevertheless, when both parties had reached an agreement on scope, political uncertainty slowed down all activities within the government agency due to proximity to Colombia’s presidential elections. Because the original grant period had expired and the scope had changed, RFI closed out the original grant hopes to pursue a new grant or other collaboration with Colpensiones now that the new presidential administration is in place, should the new Colpensiones leadership prove open to working with RFI.

8. Congente: Congente started implementing its Phase II Work Plan this year in Q1, with notable progress in the following areas:

i) *Expansion Plan*. Throughout the year, RFI supported Congente in opening three branch offices in El Castillo, San Martín and Puerto Lleras (Meta). These branches have been particularly important in a department stigmatized by violence that not many other FIs are interested in serving. These branch openings were accompanied by technical assistance for the FI to strengthen its microcredit methodology and monitor sales targets, portfolio indicators and credit officials’ schedules. A greater presence in the department and better customer service ultimately became a cornerstone in building trust among the rural population, which can now access a reliable and effective financial organization.



Inauguration of Congente BC in Puerto Lleras
Photo: RFI

ii) *Review of the microcredit policy manual*. As part of its Phase II Work Plan, the entity considered it of the essence to improve portfolio productivity indicators and to strengthen its microcredit policy. To this end, RFI reviewed its microcredit manual and came up with the following conclusions and opportunities for improvement:

- a. Providing loan advisors with better tools to evaluate potential clients, such as modifying zoning criteria, improving incentives for advisors and adjustments to the way advisors capture information in the loan application process. So far, the FI introduced a new scheme for micro-credit coordinators in which there is a team leader that encourages and manages other advisors to improve loan advisors’ performance and to promote rural credit products. This has already gleaned results and there has been an increase of about four more loans per branch in selected branches.
- b. Improving risk management, given that portfolio-at-risk indicators were high. RFI made recommendations that were approved by the FI. These included stricter monitoring of loan origination and productivity. The recommendations will be implemented in the coming months.

- c. Strengthening staff training. Congente's HR department was weak and talent management was problematic, resulting in high staff turnover and staff placed in jobs that did not suit them. The entity asked for help in this area, for which RFI helped determine opportunities for improvement. The results were handed to the FI for it to establish its own course of action, since HR is not part of the Initiative's scope or range of action.
- iii) *Risk Management*: Congente did not have a risk manual or risk policies, which resulted in difficulties in achieving the FI's risk-related indicators. This year, RFI provided TA so that they could develop and implement a risk manual. The FI has requested that the Initiative evaluate the process to date, which is under consideration from RFI.
 - iv) *Savings*: During Year 3, RFI's efforts in this area focused on Congente's saving group methodology. RFI conducted an assessment and proposed strategies that might improve savings methodologies for greater profitability, based on the experience of the World Council of Credit Unions' experience in the United States, and RFI's Grupos Locales de Ahorro y Crédito (Local Savings and Credit Groups – GLAC). These should be implemented throughout Year 4.
9. *Contactar*: This is the newest RFI partner FI. The FI signed an agreement on Y3Q4 to work on the following four objectives:
- Expand credit products to MSMEs in RFI municipalities through the VCF model;
 - Design a model that offers services for MSME business development through the opening of a branch office in Piendamó, Cauca;
 - Expand the FI's geographic coverage; and
 - Support the design and implementation of internal and external communications strategies.

These objectives will impact at least 15 municipalities in Huila, Tolima and Cauca. Although the agreement was recently signed, Contactar and RFI already begun work on all four objectives simultaneously and progress has been made in the following areas:

- i) *Communications*: RFI held three workshops and established a plan of action to improve internal and external communications (See more in PIR 3: Learning, Knowledge Management and Communications Improved).
 - ii) *Business development*: RFI held a training session regarding MSME business development and is seeking consultants that can help the entity in project design.
 - iii) *VCF*: Contactar and RFI set a schedule to start the methodology transfer to build capacity and finance value chains in their target territories.
10. *Coofisam*: The FI concluded its Phase I Work Plan in Y3Q1 with overall positive results, as well as opportunities for improvement. For instance, during Phase I, RFI supported the opening of three BCs, but they had to be closed because the locations were not as convenient as originally thought. These will be opened in different locations during Year 4. Additionally, before

concluding Phase I, RFI designed an emergency plan to improve productivity, portfolio performance indicators and savings, and to implement a new operational and sales model. The plan was tested in Pitalito, La Plata and Garzón (Department?) with positive results in all three branches. Results include a five-fold increase in the amount of loans disbursed, stable portfolio indicators, and a three-fold increase in new clients. These results were part of the progress shown in the Year 3 activities below:

i) *Expansion Plan.* In Year 3, Coofisam, through RFI's support, opened three banking correspondents in Huila in the towns of El Agrado (served by the branch in El Pital), Zuluaga (served by the branch in Garzón) and Altamira (served by the branch in Guadalupe). The BCs come as a welcome addition to Coofisam's growing network, which aims to reach more municipalities across Southern Colombia.



Coofisam opened a new banking correspondent in Zuluaga, a small township that depends on the Garzón office.

ii) *Banking correspondents.* Throughout this year, RFI defined a new model for BCs, aimed at making BCs not only transactional channels, but also merge them with the role of a sales agent. This enables the BC to open products, pre-requesting loans for customers and promoting the entity's services. RFI designed the necessary tools to test it in in the field. The Initiative also provided the FI with a sustainability model, a marketing strategy and a communications strategy. The new model was the cornerstone to open the three correspondents mentioned above.

iii) *Savings.* Throughout the year, RFI assessed Coofisam's sales model for savings products and identified opportunities for improvement. To this end, the Initiative adjusted the model to include an incentive plan for employees and customers. The plan for customers was a reciprocity strategy (currently in the pilot phase) to bring members greater benefits. Likewise, the FI's employees are rewarded in cash according to their performance results. The new model aims to encourage sales of savings products and attract new potential customers as well as current customers who have inactive products to use them. The model, which was tested in Garzón and Acevedo, will be fine-tuned in Year 4 so the entity can scale it up.

Additionally, RFI evaluated Coofisam's group savings methodology and recommended adjustments. This work seeks to recapture clients and continue encouraging savings among the rural population. The recommendations will be tested in Year 4.

iv) *Credit.* RFI helped Coofisam design a manual for microcredit policies and procedures, along with the tools that were to be tested with the new methodology during the pilot phase. Pilots began in July in the main office of Garzón and in Acevedo. So far, results have revealed the following:

- a. Better trained staff becomes more committed to the cause.
- b. Implementing a methodology systematically yields better results than constant trial and error.

- c. There is a clearer application of credit policies and procedures.
- d. By adjusting operative processes, loan approval is swifter.
- e. Monitoring and general oversight processes result in a greater adoption of concepts by staff.
- f. Using the call center mechanism is an effective method to activate clients.
- g. Improved policies and procedures avoid bottle-necks and delays.

Although pilots will conclude in Year 4, the FI has already expressed interest in scaling up the whole process after fine-tuning.

In addition, RFI had also held pilots in the offices of Pitalito, Garzón and La Plata as part of an emergency plan aimed at improving portfolio productivity indicators. The results reveal an impressive “before and after” RFI’s intervention for the entity as a whole as follows:

- a. Disbursed loans went from COP \$7,029,652,000 in December 2016 to COP \$38,274,805,982 in Y3Q2.
- b. Despite the surge in disbursed loans, portfolio-at-risk indicators have dropped and remain stable at 1.85%, now well below targets and the national average.
- c. Signing up of new clients went from 6,195 in Y2Q1 to a total of 25,810 in Y3Q3.

Specifics for particular branches are also telling, with an increase of 67.7% in loans disbursed in Pitalito and a staggering increase of 48.2% in La Plata in just 18 days.

- v) *Train the cooperative’s executives.* The Initiative assisted Coofisam executive directors to better understand and analyze main business indicators on the sales and operational model for credit and savings products, and the adjustments undergone by those products. Once those newly-built capacities were tested, RFI proceeded to implement a Training-of-Trainers strategy and transferred knowledge to other managers and the knowledge management team. This seeks for the FI to be able to replicate and scale up this knowledge on its own.

II. *Crezcamos:* Crezcamos concluded its Phase I work plan in Year 2 and started its Phase II Work Plan in the second quarter of Year 3. Importantly, the FI is in the midst of the process to transform from a non-regulated finance company (which cannot collect savings) into a regulated one (which can collect savings). Progress this year included:

- i) *Expansion Plan.* In Year 3, the Initiative supported its partner’s expansion by opening two new branch offices in Acacías and Granada, in Meta. In addition, RFI supported the opening of the Turbaco branch in the Montes de María corridor, although it has not had an official inauguration yet.
- ii) *Assessment of key topics.* The initiative provided TA and training in the following areas:
 - a. *Credit.* As part of its Phase II Work Plan, RFI provided technical assistance to improve and strengthen the bank’s credit methodology, to better serve its customers. This included striving to improve productivity by seeking clients more efficiently and effectively and conducting more rigorous evaluation processes that result in less risky loans. An additional set of training sessions is projected for Year 4.

RFI also assessed risk analysis process and methodology shortcomings. After identifying shortcomings, the Initiative held training sessions to strengthen specific areas. Despite progress, RFI had to halt its activities regarding risk analysis since the FI was undergoing the transition to become a regulated entity. The Initiative hopes to continue once the transition has occurred.

The Initiative began TA and training for the sales team. Workshop topics included coaching, human resources management, promotion and sales techniques, as well as sessions on credit analysis. This will help team leaders motivate and manage their sales teams and will allow sales representatives to better analyze potential customers and thus, approve loans that are less risky and do not increase the past-due portfolio. RFI has identified a need to strengthen loan processes and procedures within the entity, something it plans to do in Year 4.

- b. *Collection of past-due portfolio.* Part of RFI's findings were that the entity also had poor collection methods. To address this, the FI built a collection company. During Year 3, RFI worked towards providing the entity with modules in collection and rehabilitating customers with bad credit scores so staff can implement it via the collection company, as part of a strategy to reduce past-due portfolio. This will be continued in Year 4.

12. *Interactuar:* This FI started its Phase II Work Plan this year and will complete work in Y4Q1. Overall, the bank managed to improve its credit policies, implement indicators and strengthen risk oversight processes. RFI also helped implement a pilot that re-designed the sales director role and assigned new tasks for sales advisors. This included the design and delivery of new tools and instruments that aim to guarantee better loan origination, customer loyalty, monitoring, and collection. Specific achievements in the year include:

- i) *Continuation of loan referrals.* In Year 2, the Initiative supported an activity aimed at getting community leaders to refer potential clients for loans, resulting in 257 loans approved. However, during Year 3, the FI did not follow established processes and procedures, which resulted in lack of oversight and too much flexibility in what community leaders could do. RFI picked up on the issues and alerted the FI. The Initiative gathered information and produced a report with best practices for this type of program, as well as lessons learned to avoid making similar mistakes in future. Despite the deviations in methodology, it is worth noting that 40% of customers in the Tierralta office came from these referrals and that the activity promoted financial inclusion for rural and vulnerable populations.

- ii) *Expansion Plan.* In Year 3 RFI supported Interactuar in opening two branch offices in Sahagún (Córdoba) and Santa Rosa de Osos (Antioquia). After these openings, the Initiative continued monitoring the offices' performance to evaluate possible adjustments and opportunities for improvement. RFI also made sure these new offices received communications strategies (see Component 4).



Inauguration of Interactuar branch office in Sahagún.

Photo: RFI

- iii) *Revision of loan and collection manuals.*

Interactuar requested a field assessment to determine if their credit and collection policies were effective. As part of the Phase II Work Plan, RFI visited Cáceres, Tarazá, Tierralta and Valencia (Antioquia) to assess and seek options for improvement. This year, the Initiative finished a report on all the branches (except Tarazá, due to security concerns). Based on findings, the Initiative developed a loan and collections manual to improve the bank's policies and procedures. After submitting the documents, RFI helped the entity implement adjustments and recommendations. These adjustments contributed to improving portfolio-at-risk indicators in those Interactuar offices from 11.1% to 8.4%.

- iv) *Oversight in new branch offices.* One of the priorities in Phase II was to evaluate the performance of the newly opened branches of Tarazá and Tierralta. RFI closely monitored the offices in the field, retrain staff, reinforce concepts and provide TA.
- v) *Business strengthening pilot.* Interactuar has a nine-module business-strengthening program called the "Business Acceleration Base Method" (Método Base de Aceleración Empresarial – MBA in Spanish), which the FI wants to turn into an online course. In Year 3, the Initiative and the bank defined the structure and methodology the courses will have. The modules will be offered through a pilot exercise tailored for the bank's clients.

13. *Microempresas de Colombia:* This FI was awarded a grant to implement Phase II of their Work Plan. Notable progress throughout the year occurred in the following areas:

- i) *Expansion Plan.* RFI supported the FI in opening six BCs (in Campamento, San Andrés de Cuerquía, Anorí, Planeta Rica, Tierralta and Puerto Libertador) and the two offices (in Yarumal and El Bagre), per the Phase II Work Plan. These branch openings are paramount to build trust among the rural population who can now count on a stable financial institution.

Branch openings were accompanied by a redefinition of BCs' role to make them not just cash-in cash-out points, but to offer other financial services. With RFI's TA, now Microempresas' BCs can offer clients some savings products.

- ii) *Credit.* RFI conducted a risk profile that revealed there were major weaknesses in the credit assessment process. To address this, RFI's efforts focused on improving origination and

productivity. The Initiative also provided TA to retrain bank officials in the credit methodology, including reinforcing monitoring and collection methods. In addition, to increase productivity, RFI provided an action plan that includes workshops for indicator measurement, revised incentive plans and modified sales force zoning. These adjustments will be implemented next quarter and aim at strengthening managerial skills, thereby improving credit evaluation and approval processes in order to improve portfolio and PAR>30 performance.

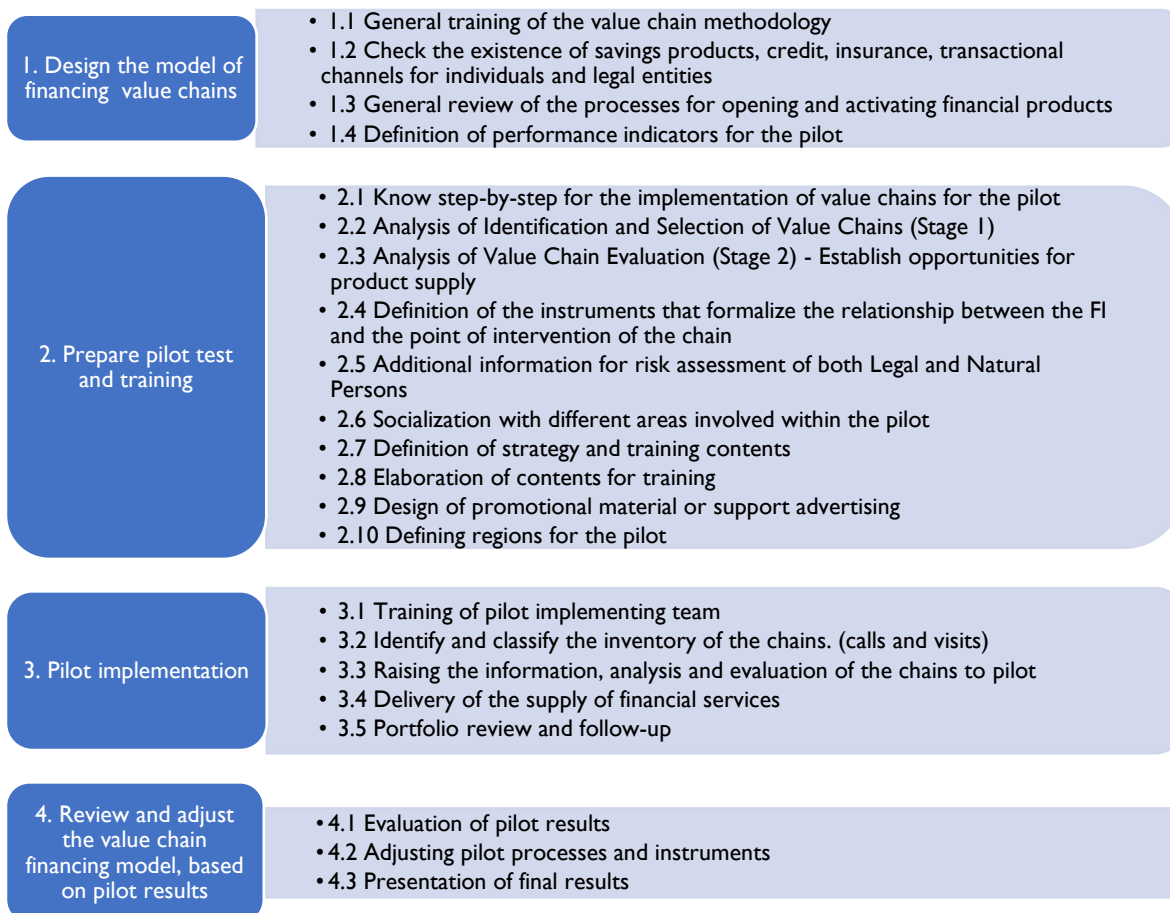
14. *Opportunity*. This year, Opportunity started activities under its Phase II Work Plan and is currently in the closing phase. Overall, the FI followed RFI's recommendations, expanded its communication activities and improved their corporate image. After grant close-out, RFI will continue providing targeted TA for overdue portfolio indicators and for the bank to continue promoting savings groups methodologies. Progress throughout Year 3 included:

- i) *Oversight of new branch offices*. RFI supported performance in the strategic offices of Carmen de Bolívar and Caucasia for sales advisors to better grasp the GLAC methodology and other forms of saving groups. Through this assistance, these branches are showing promising performance and are already yielding profits.
- ii) *Promote use of the individual credit line*. Opportunity's new sales focus for Phase II promotes use of the individual credit line. To support this process, RFI has been working on a methodology that allows clients that have been involved in GLACs or that have used smaller products to migrate towards individual credit lines. This aims to ensure that the new customer can repay the loan, protecting both the customer (from the consequences of default) and the bank (from poor portfolio performance). Surprisingly, the Initiative found that GLAC members were much more interested in the savings product than the loan product. To this end, the Initiative continued to encourage savings through group methodologies like GLACs and continue this TA after Phase II is over.

VCF Model

Value chain finance (VCF) refers to financial products and services that flow to or through any point on a value chain, enabling investments that increase the growth and competitiveness of all actors involved. In some cases, VCF can be used to share risk and return among different actors, such as a large buyer and a small producer. In 2017, the Initiative developed a four-step methodology for VCF implementation and has carried it out as seen in Figure 10.

Figure 10. VCF Methodology in Four Steps



The model came about after exploring different value chain financing alternatives, investigating international experiences, and conducting pilots with FIs and value chain actors. RFI held conversations with international consultants from Bolivia and Guatemala in Y3Q1, who provided insight to fine-tune the tools and instruments used in the model. RFI's model was innovative enough that even the international experts consulted were favorably impressed with some of its approaches, specifically its flexibility to develop solutions for the particular value chain or business relationship, rather than a one-size-fits all product.

Via the methodology above, RFI has conducted VCF pilots with buyers (including producer associations), their small farmer suppliers, and FIs. Since its conception and implementation, RFI's VCF model had focused on striving for FIs to design and approve VCF loans for producers—although the model can also include other services such as savings or insurance.

In Year 3, RFI shifted focus to strengthen the overall VCF methodology with each FI for sustainability. To do so, Step 3 in the methodology is of the essence. Once the design of the VCF model and the preparations for the pilot are complete, RFI holds training sessions that involve theory and practice with the FI teams who will implement the pilot. During these sessions, RFI uses the Policies and Procedures Manual for VCF Implementation, a guidebook designed and disseminated by the Initiative

during Year 3. It is worth noting that FIs like Opportunity and Interactuar have already started to use the Manual and adapted it to their needs and target markets. Also, since the Manual's dissemination, Banco Agrario became interested in participating in VCF.



After the initial training, the Initiative asks the FI to identify potential actors that can participate in the pilot. This is an important step, since often FI staff focus on the wrong type of actors for value chain exercises (they tend to choose only large, financially stable players, when the point of VCF is to link smaller players so that the value chain as a whole is strengthened). Once the actors are chosen, RFI and the FI conduct a field visit in which staff members can become familiar with VCF concepts and know what relevant information to ask to understand the clients and value chain. After the initial visit, RFI holds two or three more training sessions with different teams in the FI.

Having gathered the information and understood the methodology, the FI can then make decisions regarding what it wants to finance and what it can offer in terms of financial and non-financial services to selected value chains. RFI's methodology is heavily focused on financial education as part of the VCF value proposition. RFI quickly discovered that offering financial services was not enough, but what made the VCF methodology really stand out from other forms of financing was to accompany financial services with non-financial ones, like business or entrepreneurial development services for the small producers who become FI clients

Within this framework, in Year 3, RFI introduced its VCF methodology to partner FIs Bancamia, Bancompartir, Banco de Bogotá, Banco Davivienda, Congente, Coofisam, Crezcamos, Interactuar, and Opportunity (Congente, Coofisam and Crezcamos opted out of working with VCF). Figure 11 shows VCF actions implemented by RFI with its partner FIs.

Figure 11. Progress with partner Financial Intermediaries

Financial intermediary	Progress in Year 3
Banco de Bogotá	The bank decided it would work on coffee value chains through an agreement they hold with the Colombian Federation of Coffee Growers. The VCF methodology has been tweaked to fit the bank's needs and the Initiative transferred the knowledge to bank staff. The project seeks to serve 50,000 producers who had already been involved with the bank. In the future, the bank will consider applying RFI's VCF methodology to other productive sectors.
Davivienda	RFI implemented steps 1 and 2 of the methodology. The Initiative and the bank contemplated the idea of a "loan factory" that standardizes processing loans and streamlines financing processes in VCF activities. The plan was submitted to the bank and it is pending approval. If approved, the bank will engage in VCF activities with coffee growers in Huila.
Bancompartir	RFI went through the first two steps of the methodology. The bank identified potential value chain actors in Montes de María in the honey and poultry sectors, and RFI trained the staff who will serve them.
Microempresas de Colombia	The bank identified VCF actors in Santa Rosa de Osos. The Initiative held four trainings for four different teams within the bank and helped them gather information and use the instruments appropriately. Interestingly, this FI decided to expand on the methodology and implement it in even more territories (non-RFI target area like Muritica and Cañas Gordas). The bank, on their own, identified coffee growers, offered loans to producers and strengthened anchor organizations of the identified value chains.

<p>Interactuar</p>	 <p><i>Photo 2 Corbanacol member producers in their crops during a USAID visit</i></p> <p>This is one of the most successful VCF experiences for RFI. The Initiative transferred the methodology and helped the FI choose the VCF actor. The result was support to Corbanacol, Colombia's second largest plantain exporter. The association was in need of financing its small producers, so they could all install bathrooms in their plantain farms, as required by recent regulation. If they did not comply, they would not be able to meet export targets and lose reliable clients. Corbanacol had reached out to many FIs, with no luck since the ambitious project aimed to finance 600 small plantain producers. RFI provided TA to Interactuar so they could roll out a financing plan in several phases and offer Corbanacol non-financial services like financial education and business development. This made a world of a difference and convinced Corbanacol to come to an agreement with Interactuar. So far, 150 producers have been financed and have been able to comply with the health regulations, and therefore continued to sell their product and improve their quality of life. RFI documented this process through a video and a text success stories and lessons learned.</p>
<p>Opportunity</p>	<p>RFI implemented the four steps of its VCF methodology with the bank, who had identified honey value chains in Montes de María and Bajo Cauca. The process financed an organization called Campo Dulce with a loan worth US\$11,864, and another three loans worth US\$1,017. These financial services enabled the organization to access a broader and better paying market, since their products now had added value. It is worth noting these loans have no past-due payments.</p> <p>Additionally, the bank also financed an organization called Coapomiel with four loans worth a total of US\$3,728. These loans were made directly to producers, so they could expand their activities.</p> <p>Opportunity also financed Coopimares with a loan worth US\$678 made to producers, so they could expand their activities.</p>  <p><i>Photo 3 Coopimares producers with their honey</i></p>

	Lastly, Asomarañóm received six loans worth US\$2,034. Producers used these loans to expand their crops.
Bancamia	The Initiative implemented steps 1-3 and started phase 3 of the VCF model to implement the pilot. This is being carried out in Chaparral and Tierralta, areas that RFI visited last quarter for preparation.
Contactar	RFI's newest FI partner came to the Initiative because they were specifically interested in working the VCF methodology. As such, RFI signed an incentive grant with the bank and is implementing a Work Plan that includes VCF.
Banco Agrario	The bank has its own VCF model, called Redes Productivas (Productive Networks), which had not yielded the expected results for the bank. To address this, Banco Agrario turned to RFI to compare the VCF methodology with their own. RFI offered recommendations on how to integrate both models, so the bank can include what is missing from the RFI model in their own. The final product will be delivered in coming months.

Source: RFI

Synergies with Other Organizations

Plan Antioquia and USAID programs PMA and CDLO: RFI worked throughout Year 3 alongside USAID programs Producers to Markets Alliance (PMA) and Community Development and Licit Opportunities (CDLO) to support the Colombian government's Plan Antioquia in the context of the peace accords, also supported by the U.S. Embassy. Given the fact that many efforts for illicit crop eradication and substitution have revolved around the production of cacao, in Q3, RFI presented to USAID and implementing partners with an analysis of financing for cacao producers. This meeting sought to analyze financing for cacao production. The results included constraints such as the fact that the sector's informality usually hinders the ability of farmers to access loans from formal FIs. This poses a number of problems for rural populations' access to financial services:

- 1) No bank will grant loans to farmers who depend exclusively on cacao, for they believe farmers will not be able to repay the loan;
- 2) Banks may grant smaller loans, but they will be insufficient for cacao farmers and it is unclear who will cover the difference for farmers to be able to access enough resources to ensure productive yields;
- 3) Cacao plants take up to four years to yield the first harvest, and only a public bank might withstand four years of debt without interest payments during that time.

In its ongoing efforts to provide alternatives that allow for Plan Antioquia to work, in Q4, the Initiative attended an event called "Challenges for the Productivity of the Cacao Sector," which showcased opportunities and financing options for small and medium cacao exporters. RFI had the opportunity to listen to the cacao growers and see how they are preparing to address limited exports due to cadmium levels, as well as issues with the price stabilizing fund, a body that regulates cacao prices.

Despite challenges, RFI continues supporting Plan Antioquia activities in municipalities like Briceño, where the Initiative identified opportunities to work with Microempresas de Colombia. This FI seeks to support the Office for Illegal Crop Substitution of Antioquia to implement a plan that will provide farmers and vulnerable populations in conflict-affected areas the opportunity to learn management skills to help improve their ability to save and manage the money that they receive.

Finally, RFI's joint efforts with its FI partners continue in Plan Antioquia target municipalities. The results in these areas are shown in Figure 12:

Table 12. RFI Progress in Plan Antioquia Target Municipalities

Municipalities	FIs	Loans		Savings		Insurance		Total	
		Clients	Value \$USD	Clients	Value \$USD	Clients	Value \$USD	Clients	Value \$USD
Ituango	Banco Agrario Microempresas de Colombia	1.163	\$ 2.256.867	492	\$ 9.806	0	\$ 0	1.655	\$ 2.266.673
Taraza	1. Bancamia 2. Banco Agrario 3. Banco de Bogotá 4. Bancompartir 5. Interactuar 6. Microempresas de Colombia 7. Opportunity	1.236	\$ 1.920.275	291	\$ 4.097	475	\$ 15.618	2.002	\$ 1.939.990
Valdivia	1. Bancamia 2. Banco Agrario 3. Banco de Bogotá 4. Interactuar 5. Microempresas de Colombia	871	\$ 1.292.988	278	\$ 10.153	273	\$ 8.559	1.422	\$ 1.311.700
Briceño	1. Bancamia 2. Banco Agrario 3. Banco de Bogotá 4. Bancompartir 5. Microempresas de Colombia	332	\$ 768.368	90	\$ 4.157	65	\$ 2.722	487	\$ 775.247
Caceres	1. Bancamia 2. Banco Agrario 3. Banco de Bogotá 4. Bancompartir 5. Interactuar 6. Microempresas de Colombia 7. Opportunity	776	\$ 1.489.297	459	\$ 8.278	318	\$ 10.157	1.553	\$ 1.507.732

Caucasia	1. Bancamia 2. Banco Agrario 3. Banco Davivienda 4. Banco de Bogotá 5. Bancompartir 6. Interactuar 7. Microempresas de Colombia 8. Mundo Mujer 9. Opportunity	3.298	\$ 35.804.931	2.436	\$ 26.016	1.682	\$ 59.848	7.416	\$ 35.890.795
El Bague	1. Bancamia 2. Banco Agrario 3. Banco de Bogotá 4. Microempresas de Colombia 5. Opportunity	2.286	\$ 3.283.333	1.069	\$ 50.441	983	\$ 40.891	4.338	\$ 3.374.665
Nechi	1. Bancamia 2. Banco Agrario 3. Interactuar 4. Microempresas de Colombia 5. Opportunity	529	\$ 737.906	364	\$ 32.550	181	\$ 6.627	1.074	\$ 777.083
Zaragoza	1. Bancamia 2. Banco Agrario 3. Banco de Bogotá 4. Interactuar 5. Microempresas de Colombia 6. Opportunity	983	\$ 1.407.252	1.030	\$ 40.639	612	\$ 17.958	2.625	\$ 1.465.848
TOTAL		11.474	\$ 48.961.217	6.509	\$ 186.136	4.589	\$ 162.380	22.572	\$ 49.309.733

Source: RFI

Proyecto Comercializadora Social (Social Trade Project): In Year 3, the Initiative worked with the United Nations Office on Drug and Crime (UNODC) on the Social Trade Project. This activity, which UNODC is carrying out with the Agency for Territorial Renewal and the Agency for Rural Development, aims to support grass-roots organizations with a sustainable trading strategy. RFI's support was to include finance-oriented questions in the survey that will be used by UNODC to establish a baseline for their chosen organizations. This will result in more accurate information and will enable UNODC to provide better support, for they will gather information that a bank or

financial institution would ask for when assessing potential clients. In addition, the Initiative also trained the UNODC officers who will conduct the survey on the ground. UNODC will carry out the survey itself.

FAO: Through prior work with FINAGRO, RFI met with the FAO official discussed options and developed a letter of intention to work jointly in RFI target territories on FAO’s support to Departmental Agricultural and Rural Development Plans.

Pastoral Social: This year, RFI established contact between religious organization Pastoral Social in Urabá (through Cordupaz) and RFI’s partner FI Microempresas de Colombia. This allowed Pastoral Social to serve their savings groups through Microempresas, using the GLAC methodology. Additionally, the Initiative also held conversations with another Pastoral Social program (USAID-supported Fortalesciendo), since they are interested in creating GLACs in Huila. RFI held a meeting to promote an alliance that would allow the Initiative to transfer methodology to Fortalesciendo to create savings groups. RFI explored the option of also working on VCF with Fortalesciendo, although this did not come to fruition.

Component 2: Reduced Barriers to Rural Financial Services

Component 2 includes the mechanisms to incentivize and support FI market entry and innovation discussed in Component 1, including grants and training. Through Component 2, RFI applies USAID’s principles of profitability, sustainability, and replicability by reducing risk and promoting innovation to expand demand-driven financial services.

Incentive Grants. Through these grants, the Initiative seeks to support the implementation of activities focused on expanding the provision of sustainable financial services in underserved rural areas. In Year 3, RFI’s partner financial institutions continued implementing their respective Phase I and Phase II Work Plans via incentive grants. New FI Contactar started its Phase I incentive grant in Y3Q4, Bancamia finished Phase I and ten FIs began their Phase II incentive grant in Year 3, following successful completion of their Phase I grants. In total, as shown in Figure 13, via Phases I and II, the Initiative has awarded US\$2,857,118 in incentive grants, and of this amount grantees have implemented US\$2,079,181. Grantees have leveraged US\$10,569,740 in Phase I and what has taken place of Phase II, reaching a leverage ratio of 1:5, thereby exceeding the contract’s 1:3 leverage requirement.

Figure 13. Incentive Grants and Leverage* Phase I and II

Partner FI	Starting Date	Ending Date	Grant Awarded (US\$)	Implemented Funds (US\$)	Grantee Leverage Committed (US\$)	Grantee Leveraged Implemented (US\$)	
I. Incentive Grants							
IFR-FI-FAA-001	Banco Compartir S.A.	30/03/2016	29/06/2017	163,075	111,137	639,475	1,045,635
IFR-FI-FAA-002	Microempresas de Colombia	1/04/2016	30/05/2017	77,133	56,071	205,524	221,683

IFR-FI-FAA-003	Opportunity International Colombia S.A.	13/05/2016	31/05/2017	122,242	100,531	336,544	270,585
IFR-FI-FAA-004	Corporación Interactuar	30/06/2016	29/06/2017	181,744	144,534	442,830	502,776
IFR-FI-FAA-005	Banco Davivienda S.A.	23/08/2016	22/08/2017	245,611	127,745	765,823	400,727
IFR-FI-FAA-006	Cooperativa de Ahorro y Crédito Congente	19/07/2016	31/08/2017	141,324	127,674	343,925	322,884
IFR-FI-FAA-007	Banco de Bogotá	1/09/2016	31/08/2017	239,123	161,990	861,151	861,151
IFR-FI-FAA-008	Crezcamos S.A	22/09/2016	21/09/2017	103,686	102,966	451,129	491,711
IFR-FI-FAA-009	Coofisam	2/11/2016	1/11/2017	112,889	91,053	328,430	311,726
IFR-FI-FAA-010	Bancamía	2/05/2017	2/05/2018	71,631	69,907	2,065,783	352,993
IFR-FI-FAA-011	Banco Mundo Mujer S.A.	15/03/2017	14/03/2018	48,724	48,658	1,291,282	1,120,070
IFR-FI-FAA-012	Colpensiones	25/08/2017	24/08/2018	78,157	6,928	3,782,173	0
Total Incentive I				1,585,339	1,149,195	11,514,071	5,901,941
IFR-FI.FAA-013	Bancompartir	11/10/2017	14/12/2018	165,787	152,971	1,567,244	1,584,586
IFR-FI-FAA-014	Interactuar	31/10/2017	30/10/2018	157,763	136,424	489,593	476,303
IFR-FI-FAA-015	Microempresas de Colombia	4/10/2017	3/10/2018	83,147	83,757	291,296	291,296
IFR-FI-FAA-016	Opportunity International Colombia S.A	4/10/2017	3/10/2018	95,120	95,628	370,740	387,010
IFR-FI-FAA-017	Congente	7/12/2017	6/12/2018	114,849	117,984	626,053	486,483
IFR-FI-FAA-018	Coofisam	29/01/2018	28/01/2019	74,256	45,770	292,718	170,570
IFR-FI-FAA-019	Banco de Bogotá	21/03/2018	20/03/2019	142,317	117,081	1,607,536	811,377
IFR-FI-FAA-020	Crezcamos S.A	5/03/2018	4/03/2019	107,596	90,118	482,941	286,182

IFR-FI-FAA-021	Banco Mundo Mujer	20/06/2018	19/06/2019	61,953	18,139	533,033	55,097
IFR-FI-FAA-022	Davivienda	26/06/2018	25/06/2019	144,434	42,287	803,040	87,748
IFR-FI-FAA-023	Contactar	16/08/2018	23/08/2019	124,556	29,827	340,333	31,147
Total Incentive II				1,271,778	929,986	7,404,525	4,667,799
TOTAL INCENTIVE GRANTS				2,857,118	2,079,181	18,918,596	10,569,740

Source: RFI

* Incentive grants have a minimum leverage ratio of 1:3

Challenge Grants. Challenge grants are designed to test and scale innovations in financial products, services, methodologies and technologies with the potential to expand services to vulnerable population groups in rural, isolated municipalities. To this end, RFI worked issued an APS to its partner FIs to encourage innovative ideas that promote financial inclusion. In addition, the Initiative also launched an Annual Program Statement (APS) in Years 2 and 3 where all kinds of organizations could participate (e.g. FIs, universities, think tanks, telcos, and community organizations). Between with the APS issued to partner FIs and proposals submitted through the second APS open to other organizations, RFI awarded 15 challenge grants, 14 of which were signed in Year 3, as shown in Figure 14. To date RFI has awarded US\$2,127,397 in challenge grants, of which US \$1,310,828 have been implemented.

Figure 14. Challenge Grants*

Partner FI		Starting Date	Ending Date	Grant Awarded (US\$)	Implemented Funds (US\$)	Grantee Leverage Committed (US\$)	Grantee Leveraged Implemented (US\$)
II. Challenge Grants							
IFR-FCH-FAA-002	Banco de Bogotá	1/06/2017	30/09/2018	140,235	125,423	188,015	188,015
IFR-FCH-FAA-003	Banco Compartir S.A.	8/11/2017	7/11/2018	149,180	103,753	251,428	263,007
IFR-FCH-FAA-004	NASA Community Project	4/10/2017	20/07/2018	54,619	30,066	17,113	32,845
IFR-FCH-FAA-005	COOFISAM	20/10/2017	30/11/2018	157,724	142,204	190,714	155,463
IFR-FCH-FAA-006	Davivienda	15/11/2017	19/11/2018	249,457	221,706	298,374	137,250
IFR-FCH-FAA-007	Microempresas de Colombia	20/10/2017	19/10/2018	182,513	150,286	210,962	196,464
IFR-FCH-FAA-008	Cooperativa de Ahorro y	22/11/2017	21/11/2018	203,849	167,531	244,065	173,240

	Crédito Congente						
IFR-FCH- FAA-009	Banco Mundo Mujer	5/03/2018	4/03/2019	98,605	45,583	292,286	59,466
IFR-FCH- FAA-010	Interactuar	22/03/2018	20/09/2019	118,335	34,646	354,576	74,479
IFR-FCH- FAA-011	Davivienda II	23/04/2018	25/04/2019	146,487	85,777	500,694	116,804
IFR-FCH- FAA-012	DITOCORP SAS	26/06/2018	25/06/2019	63,886	18,704	82,517	14,809
IFR-FCH- FAA-013	ACH Colombia S.A.	26/07/2018	26/12/2018	175,439	114,509	317,702	118,525
IFR-FCH- FAA-014	Crezcamos	22/08/2018	21/08/2019	108,362	31,351	289,513	10,032
IFR-FCH- FAA-015	Bancolombia I	5/09/2018	4/09/2019	142,770	39,289	147,218	0
IFR-FCH- FAA-016	Bancolombia II	20/09/2018	17/05/2019	135,937	0	136,063	0
Total Challenge Grants				2,127,397	1,310,828	3,521,241	1,540,399
TOTAL GRANTS (Incentive + Challenge)				4,984,514	3,390,009	22,439,837	12,110,140

* The challenge grants have a minimum leverage ratio of 1:1

** The agreement is in closing phase. Given that it was an in-kind grant, expenditure was lower than what was budgeted.

+ There was a modification to extend the closing date, since the entity needed more time for their final deliverable.

** There was a modification, made effective on September 21, that reduced the budget because equipment that was part of the initial budget was later deemed unnecessary. Additionally, the entity removed the opening of a BC, which also eliminated milestones and costs associated with that activity.

Figure 15 depicts all of RFI's challenge grants followed by a brief description of each innovation supported by RFI via these grants.

Figure 15. Challenge Grants



1. *Banco de Bogotá*. In Y2Q3, the bank launched a new mobile branch in the form of a truck that visits underserved, rural areas. The truck's goal was to visit RFI target areas (including regions prioritized in the U.S. Embassy-supported Plan Antioquia), introducing financial services in territories that had traditionally been unbanked or underbanked, and connecting the FI with new customers. It is worth mentioning that the truck was present at a Financial Services Fair in Medellín, attended by Colombia Mission Director Lawrence Sacks in September, 2018. This challenge grant was concluded successfully with the bank completing all milestones.



Photo 4 Mission Director Lawrence Sacks visited the Banco de Bogotá truck in Medellín.

2. *Bancompartir*. The bank started implementing its challenge grant in Year 3 with the goal of introducing mobile devices to capture client information on-site, in real time and make the loan origination process paperless. This supposes lower operation costs for the customer and an increase in productivity by the bank official. To implement the idea, the bank required a new software to collect information and to train staff on the use of said software. Throughout the year, Bancompartir introduced the software within the bank's core system. However, they quickly realized they needed more time to work on the technical and procedural adjustments that need to be in place to implement the project. The bank acknowledged shortcomings from its technology department that resulted in a poor choice of the initial software provider. This has cost them delays and bottle-necks. The issues were raised to RFI, which intends to do a modification to end the agreement in December 2018, as planned, with whatever progress the FI has made so far.
3. *NASA Community Project*. See Component 4, Gender and Vulnerable Populations.
4. *Coofisam*. This cooperative was awarded a challenge grant to introduce a platform called Smart Road that increases the productivity of sales advisors in the field by allowing them to sell new financial products (e.g. open a savings account) and create loan applications online and in real time. During Year 3, the cooperative tested the platform and started merging it into their core system and testing its online functionality. The FI also conducted tests of the documents and communications processes, among other areas, in order to be able to enter the pilot phase with confidence. RFI extended the grant closing date, since the FI had a few delays with the last milestone. However, the grantee otherwise kept on schedule.

5. *Banco Davivienda (I)*. This year, Davivienda began implementation of its challenge grant to provide small loans via Daviplata, the Bank’s mobile wallet. The FI has completed all its milestones according to schedule. The bank conducted tests to evaluate the product’s functionality and applicability and discovered a problem in the SMS notification service. The bank is working towards solutions and alternatives to this issue.
6. *Microempresas de Colombia*. Through this grant, the cooperative expects to give its sales advisors a mobile device in which they can use an app to sell financial services in isolated, rural areas. To make this happen, RFI supported the bank in designing their own platform, as opposed to buying off-the-shelf technology, and in introducing “village correspondents” who will more easily serve the rural population. This is complemented with a mobile agency: a van in which village correspondents travel to remote areas (see Figure 16). Both the mobile agency and the village correspondents continued operating through Q4 with the following cumulative results in Table 15 below. The van was present in an event held on September 21 in Medellín with USAID Mission Director, Lawrence Sacks.



Photo 5 Microempresas de Colombia participated in the Financia Services Fair held in Medellín on September 21, 2018

Figure 16. Microempresas de Colombia's Mobile Agency Results

Municipalities Visited	Clients Served	New products sold	Transaction total (US\$*)
90	1,421	256	334,065

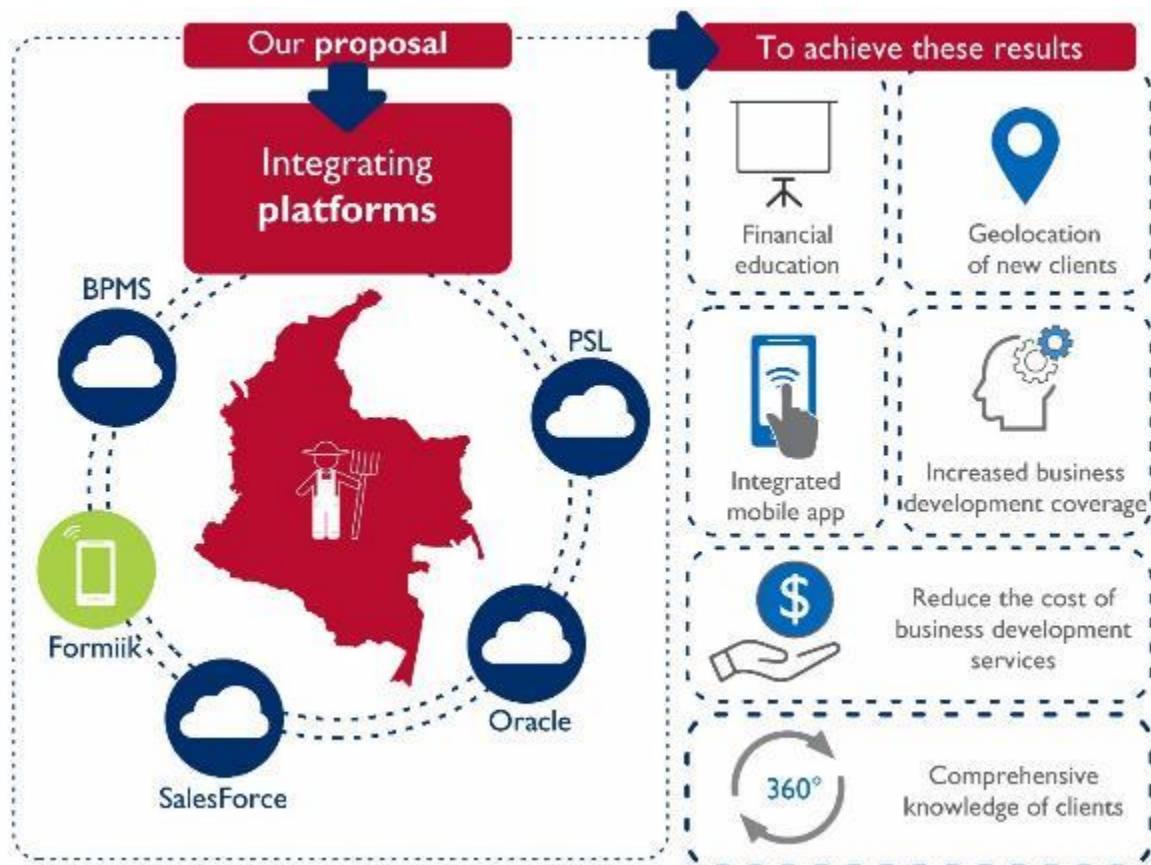
Exchange Rate calculated using September SER rate of COP \$2,950

7. *Congente*. RFI awarded Congente a challenge grant for them to acquire and use Shareppy, a technical platform that allows banks to carry out paperless online loan origination. Throughout implementation, the bank conducted technical tests and adjustments to fine-tune the platform. It also trained staff in the use of the tool so they can begin pilots in Year 4.
8. *Banco Mundo Mujer*. RFI awarded a challenge grant to Banco Mundo Mujer to develop an app that enables the bank to more effectively carry out staff management processes with its sales advisors. The app enables sales advisors to plan more efficient routes to visit clients through geo-referencing, process loan applications, open bank accounts, approve small loans, and it provides an overall guideline for banking procedures that advisors can use in the field. This improves efficiency and service delivery and reduces unnecessary paperwork. In Year 3, the app was integrated with the bank’s core system and the bank ran technical tests to fine-tune the platform. The FI has consistently completed all grant milestones and is on the right track to

provide rural populations a tool that streamlines processes and results in lower transaction cost for clients and bank alike.

9. *Interactuar*. Interactuar was awarded a challenge grant to integrate all of its existing platforms into a single platform that enables sales staff to have comprehensive customer information to streamline loan application procedures while expanding financial education (see Figure 17 below). Implementation of this challenge grant has faced some difficulties, but ultimately, the FI is committed and trying to meet deadlines and fulfill milestones. The bank's first actions were to devise a Work Plan and hire the necessary team members to bring the project to fruition. However, as time went on, the bank shared with RFI that not only was the project more ambitious than initially thought, but that vital members of the team had resigned, setting the operation back. Interactuar requested to extend dates for milestones 2 and 3. However, to show their commitment, they are also investing more resources (financial and otherwise) to be able to meet the grant's final deadline.

Figure 17 Challenge grant proposed by Interactuar



10. *Davivienda (II)*. In addition to Davivienda's aforementioned challenge grant, USAID awarded another one to develop an option within the existing electronic wallet where clients can have a scheduled savings scheme; and insurance for household goods, bicycle theft, bicycle accidents, life insurance, and pet insurance, among others. Just like in Davivienda's first challenge grant, after technical tests, the bank is experiencing difficulties in the SMS notification service and is

working towards solving the issue. Despite this, the bank has always completed their milestones on schedule.

11. *Ditocorp*. This entity started implementing a challenge grant that aims to build or improve rural clients' credit scores in the Meta corridor. The entity seeks to use artificial intelligence tools, algorithms and a scoring system to grant micro loans and sell insurance products in rural areas through digital platforms. Activities for this grant started in Q4 and included market research to identify the insurance needs of the population in the target area. The research will be expanded in Year 4.
12. *ACH-Colombia*. This has become one of RFI's flagship projects and seeks to design a platform for small-value transactions on a massive scale, to promote rural financial inclusion. For more information on this, see Component 3.
13. *Crezcamos*. Crezcamos submitted a new proposal for a challenge grant, which was approved in Q4. Their aim is to gather all the data they collect through different methods and channels (product assessment, risk assessment, etc.) and use it to create an information system that groups all data together so that it can be cross-referenced, in order to improve decision-making efficiency and effectiveness for loans and other products. This will be complemented with methodology developed with support from RFI that replaces the traditional banking correspondent visit with a new more efficient approach that allows for a more comprehensive client assessment in the field. So far, the bank started designing the platform that will be used for cross reference and is in the process of gathering information for a robust database.
14. *Bancolombia Origenación*. In its quest to promote digital financial services, RFI awarded Bancolombia a challenge grant to create a tool that enables customers to access online loans. The grant was approved in late Q4, so it is still developing a work plan. Thus far, the entity delivered designs for their initial flowcharts. This initiative will take advantage of the existing "Ahorro a la Mano" tool (Savings on Hand) which sends an automated message to customers informing them that they have a preapproved loan. This challenge grant seeks to shift the initial contact and enable customers to go into an app and request a loan, as opposed to the bank offering one without knowing whether customers actually want it.
15. *Bancolombia Nequi*. RFI is financing the design and development of an alternative platform so people who use Nequi in rural areas can make cash-in and cash-out operations without the use of a BC. Before the end of Year 3, RFI and Bancolombia established a work plan and it will begin activities in Year 4.

Other than the 15 grants already signed, the APS that was open to all kinds of entities (beyond RFI's existing partners) resulted in 114 applications, out of which RFI selected a short-list of 28 for further consideration. Out of those, five were approved by RFI's Selection Committee and are pending USAID approval, shown in Figure 18.

Figure 18. APS Proposals

Pending Applications	STATUS	AWARD AMOUNT (US\$)
Fundacion Capital	Pending USAID approval	179,331
Credibanco - Tecnipagos S.A	To be reviewed by IFR	169,492
Utrahuilaca	Pending revisions by the application	TBD

Banco de Bogotá MD	Pending revisions by the application	TBD
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Finally, during Year 3, partner FI Microempresas de Colombia worked on a challenge grant application for the development of an entirely digital loan in which every aspect of the process, from application to approval to disbursement would be online. Currently, the application is pending USAID approval. If approved, RFI would finance the technological development, marketing aspects and a pilot. From the pilot, the bank would be able to draw conclusions and create a digital strategy that enables them to scale up the product. The pilot, which would occur in RFI target municipalities, would initially include Microempresas de Colombia's clients alone to evaluate use, portfolio indicators, user friendliness of the platform, etc.

USAID Regulation Training. During Year 3, Initiative continued to deliver periodic training sessions on USAID regulations and grants management to organizations awarded grants. RFI also continued conducting the pre-award survey with prospective challenge grants applicants prior to award. This survey allows the Initiative to understand each participant's financial and management capacity to comply with USAID regulations and proper financial management.

Local implementing partners (subcontractors). During Year 3, local implementing partners, Asociación de Fundaciones Petroleras (Association of Oil Foundations – AFP) and the Organismo Cooperativo Microempresarial de Colombia (Micro-Entrepreneurial Body of Colombia – Emprender) continued supporting the Initiative in providing on-demand technical assistance to partner FIs. The subcontractors provide technical assistance on the following topics: agricultural credit, rural credit, savings, MSME credit, insurance, and channels among others. A breakdown by corridor of funds awarded and implemented this reporting period is presented in Figure 19 below:

Figure 19. Funds Awarded by Corridor Y3

Corridor	AFP		Emprender	
	(Awarded \$US)	(Implemented \$US*)	(Awarded \$US)	(Implemented \$US*)
Montes de Maria	88.119	188.098		
Bajo Cauca Antioqueño – Sur de Córdoba			155,549	180,081
Sur del Tolima – Norte del Huila			92,611	97,724
Valle del Cauca – Cauca			94,590	91,979
Caquetá	185.662	115.071		
Meta	111.867	89.94		
Tumaco			15,523	15,174
Bogotá (cross-cutting support)			50,322	45,283
TOTAL	385.648	393.109	408,595	430,241

*Used resources between October 2017 and September, 2018.

Source: RFI.

AFP and Emprender requested support in specific areas that will enable them to continue providing technical assistance to FIs after their subcontracts with RFI close out in 2019. To this end, the Initiative designed work plans to build their capacity. These will be implemented in Y4Q1.

Development Credit Authority (DCA): During Year 3, RFI submitted recommendations to USAID on how to improve DCA use. The Initiative's experience had been that FIs used it for all types of loans and clients, which did not fulfill the purpose of serving rural populations at risk or regions without robust financial services. RFI suggested establishing certain parameters for its use, so the new DCA cycle has been more strategically designed to support target populations.

PIR 2: Financial Environment Modernized

PIR 2 seeks to enhance rural financial inclusion by advocating for targeted adjustments to financial public policies and processes that directly support PIR 1 goals of linking rural clients with financial services.

Component 3: Financial Environment

RFI set the groundwork for an enabling environment by establishing relationships and identifying opportunities for collaboration. In Years 1-2 the Initiative focused on public entities like Banca de las Oportunidades (BdO), Banco de la República, Superintendencia Financiera and the Fund to Finance Agriculture (FINAGRO). In Year 3, RFI continued work with public sector entities where feasible and appropriate and also expanded focus private sector entities like ACH-Colombia and Visionamos, to help develop the enabling environment for digital financial services.

BdO. In Year 3, the Initiative continued joint efforts with BdO to promote financial inclusion through the dissemination of information on financial education and inclusion. To this end, RFI continued providing TA for the correct use and update of BdO website, which includes a microsite for RFI. In addition, RFI documented lessons learned in three areas of financial inclusion: use of, access to and quality of financial services. The Initiative submitted these lessons to BdO, which uploaded the last two to their RFI-supported website. Regarding use, RFI submitted the document and is pending BdO's approval and uploading.

FINAGRO. In Year 2, FINAGRO expressed interest in designing a platform capable of filtering basic loan applications directly submitted by small producers and grouping them by risk profile and geographic location. The idea was approved by RFI and resources had been earmarked to finance the project. During Year 3, RFI made multiple efforts to move the project forward and offered TA through a potential in-kind incentive grant. However, the entity and its officials –many of whom were about to leave due to the August 2018 change in presidential administration– decided to instead work on this activity with another government entity.

Banco de la República. In order to design digital financial services to promote uptake among rural populations, RFI hired market research firm YanHaas to carry out a survey in three municipalities to understand behavior of potential rural customers. So far, preliminary results reveal shopping habits, perception of security regarding online services, transactions users would be willing to do, the way in which they would like to be informed and educated on the matter, among others. These results were presented to Banco de la República, which will cross reference the data and share final results with RFI. These will be disseminated in an event in Year 4 and will inform business opportunities and product design for FIs, regardless of whether they are RFI partner FIs or not.

Superintendencia Financiera. RFI planned to support Banco Agrario's offering of financial services for the post-conflict era. However, regulation issues from SuperFinanciera impeded the bank from carrying on with this activity, hence, RFI halted its work with SuperFinanciera on this topic. The Initiative is open to reopening this issue if the country's new administration finds it viable.

RFI and Superintendencia Financiera worked on a technical assessment to create regulation for electronic accounts. RFI concluded that the issue was not only raising the maximum ceiling for electronic accounts Other issues such as geographic coverage and lack of financial education are the

root of the problem and impede fostering an ecosystem where clients can make electronic transactions. Having established the real issue, RFI and the SuperFinanciera will work on integrating existing regulations regarding electronic deposits, simplified accounts and ordinary accounts. This seeks to simplify norms and streamline procedures. Lastly, the Initiative initially considered to work with SuperFinanciera to develop an inter-bank switch. However, after analyzing the issue, RFI realized that existing regulation was sufficient to develop low-cost payment platforms that financial organizations could use, without regulatory modifications.

ACH-Colombia. In Y3Q4, RFI awarded a challenge grant to ACH-Colombia to develop an ambitious, multi-phase project that aims to provide the country's financial ecosystem with an interbank switch platform for real-time, small value electronic transfers on a massive scale. This aims to promote rural financial inclusion by reducing transaction cost and time, and increasing security through cashless transactions – especially in areas prone to violence where the cost and risk of using cash is greater. The grant responds to the fact that transaction costs are prohibitively high for small amount electronic transactions, making it difficult for people in rural areas to engage with these services and instead opting for wire transfers, checks or cash operations. Currently, only 8% of the country's batch wire transfer operations are person to person (P2P) transactions, while the other 92% are used for corporate transfers—largely excluding MSMEs and rural individuals.

To date, ACH-Colombia has submitted two of its grant milestones (1. Work plan and schedule; 2. Technical implementation of the platform) and is consistently working on finetuning the platform that other financial institutions can use to promote low-cost, small amount transactions. The platform has already been tested with the first few banks that will be part of the pilot phase. It is worth noting that although RFI is not financing the pilot itself, it does provide technical assistance to encourage FIs to participate in the pilot. So far, three RFI partner FIs have signed up for the pilot: Bancolombia (through its neo-bank Nequi), Coopcentral (an organization that agglomerates many cooperatives), and Davivienda (through their electronic wallet app Daviplata), as well as AV Villas, which is not currently a RFI partner.

This has become one of RFI's flagship activities due to the potential it has to boost financial inclusion. Despite the significant coverage limitations in Colombia's rural areas, RFI is taking the first steps towards greater flexibility and access to financial services that can encourage rural inhabitants to use digital services.

Since this has become such an important activity, RFI has devoted time and resources to draw from lessons learned in other countries like Peru and the Philippines, as well as input from Colombian FIs on their needs, to design the switch. The Initiative participated in a conference with Peruvian expert Felipe Velásquez, Manager at Pagos Digitales Peruanos – BIM Initiative. Despite all its merits, the Peruvian experience faced the problem that clients lacked ways to withdraw cash following digital transactions. Another valuable insight came from the Philippines experience. RFI and managers from partner FIs traveled to Manila to meet with government agencies, Filipino FIs and digital technology providers to discuss the challenges and opportunities faced by the Asian country when developing a more inclusive environment for financial services. The exchange was particularly useful when analyzing a different approach to regulation in which organizations can implement pilot models and use the lessons learned to propose new regulations. This was very revealing, for Colombia oftentimes creates regulations first that cannot be easily applied in the real world.

Despite the many similarities between Colombia and the other developing nations, RFI understood that Colombia cannot just copy an existing model. This is why RFI has worked with Colombian firms

and potential clients towards a model that truly fits the country with its own business, marketing, and operational models.

Visionamos. Throughout Year 3, RFI worked with Visionamos, an organization that agglomerates different financial cooperatives, with the potential to reach rural clients at scale. The Initiative's work has four objectives that contribute to the digital enabling environment by supporting the ACH activity:

1. To encourage Visionamos to connect to the ACH-Colombia platform, so its member cooperatives can make real-time, low-cost transactions,
2. Identify weaknesses and opportunities for improvement in having cooperatives use the ACH-Colombia platform.
3. Hold a pilot in three of Visionamos member cooperatives and design a marketing strategy that encourages the entities to use the platform.
4. Develop a digital credit product with Coofisam, so that it can be fin-tuned and implemented in other of Visionamos member cooperatives.

Objectives were designed in Year 3 and RFI expects to implement them next year.

PIR 3: Learning, Knowledge Management, and Communications Improved

PIR 3 demonstrates how knowledge management supports the other components and PIRs. RFI's Communications Strategy is a cross-cutting tool serving three basic functions: to keep USAID apprised of program results, support technical implementation, and broadly disseminate lessons learned. The Initiative's communications team performs tasks corresponding to each of these three functions.

Component 4: Learning, Knowledge Management, and Communications

Component 4 draws on evidence from Components 1, 2, and 3 to create compelling and informative knowledge management products, while, in turn, supporting those components with communications products. During this quarter, the RFI communications team supported the following activities:

Communications to Support Technical Implementation. As part of the objectives defined in the respective Work Plans with partner FIs, starting in Year 2, RFI developed Communication Plans for eleven of them (with the exception of Davivienda, Banco de Bogotá and Banco Agrario). However, throughout implementation, Opportunity and Colpensiones' halted their communications activities. The former because it is undering the process to become a regulated entity, and the latter because the agreement with RFI was suspended and ultimately canceled due to political and technical delays within the government agency.



Photo 6 Communications workshop with Contactar, RFI's newest partner FI.

The other nine FIs engaged in communications activities that seek to position them in the rural market and facilitate achieving targets for new clients and value of financial services generated. In helping FIs develop communications plans, RFI also aimed at building institutional capacity within FI communications and marketing teams through workshops and training sessions.

Lastly, the Initiative's goal is to train staff to build capacity so that FIs can engage in communications activities, public relations and media tours on their own. To this end, RFI has trained its partner FIs in leadership strategies

and media interaction. Noteworthy examples are those of Bancompartir, who fostered relations with local communications cooperatives in Montes de María, and Microempresas de Colombia, which established a close working relation with regional communications group Red Nudo de Paramillo (Department). The relationships fostered in Year 2 have yielded greater results in Year 3 and financial entities continue to work with these local communications groups on their own to promote FI brand, products, and reach new rural clients.

Through the implementation of these workshops, the Initiative trained a total of 1,692 people in Year 3 from participating FIs as shown in Figure 20 below:

Figure 20. People Trained During Communications Workshops in Year 3

FI	FY18	
	Workshops/	Participants
Bancamia	2	9
Banco Mundo Mujer	4	178
Bancompartir	71	792
Congente	3	30
Coofisam	12	165
Crezcamos	0	0
Interactuar	3	16
Microempresas de Colombia	14	247
Opportunity	6	34
Contactar	6	113

NASA Community Project	5	108
TOTAL	126	1692

Source: RFI

Figure 21 displays the activities and results achieved through these training sessions, consultancies and technical assistance in communications during Year 3.

Figure 21: Communication activities per FI

Entity	TA	Specific consultancies	State of specific consultancies	Submission of manuals and closing	Evaluation and documentation
Microempresas de Colombia	Concluded	Internal communications Crisis management External communications Relationship with media	Concluded	Submitted	Concluded (positive review, 100% of recommendations were implemented)
Interactuar	Concluded	Crisis management External communications Relationship with media	Concluded	Submitted	Concluded (positive review, 100% of recommendations were implemented)
Congente	Concluded	Internal communications External communications Relationship with media	Concluded	Submitted	Concluded (positive review, 70% of recommendations were implemented)
Coofisam	Concluded	Internal communication External communication Structuring of the newly formed communications department	Concluded	Submitted	Concluded (positive review, 100% of recommendations were implemented)
Opportunity	Concluded	Strategies to market microcredit and savings products	Concluded	Submitted	Projected for October 2018. Activities are on hold due to the FI's merger and acquisition process
Bancompartir	Concluded	Communications for communities Storytelling Internal and external communications	Concluded	Submitted	Projected for October, 2018
Crezcamos	Concluded	Internal communications External communications	Concluded	Submitted	Projected for November, 2018. This entity is amidst

		Relationship with media			a merger and acquisition process.
Bancamia	Concluded	N/A	N/A	N/A	Projected for October, 2018.
Banco Mundo Mujer	Concluded	Internal communications External communications Structuring of the communications department	Will end in January, 2019	Submitted	Projected for March 2019.
Contactar	Will end in December, 2018	Pending on TA results	N/A	N/A	N/A
Banco de Bogotá	Methodology was submitted and is pending the bank's approval	N/A	N/A	N/A	N/A
Davivienda	Reach and scope have not been defined yet	N/A	N/A	N/A	N/A
Banco Agrario	N/A	N/A	N/A	N/A	N/A
Colpensiones	N/A	N/A	N/A	N/A	N/A

Additional activities included:

Synergies with local media: To help partner FIs increase their visibility, the Initiative helped Bancompartir, Microempresas de Colombia, Interactuar, Congente and Crezcamos establish a relationship with national media outlets. This resulted in ten articles published in *Semana Rural*, *El Espectador* and *Portafolio*.

Document best practices. During the year's last two quarters, the Initiative has been consistently documenting best practices with each FI partner. This includes stories on Bancompartir and its Soy Líder Program, Interactuar, Microempresas de Colombia, Banco de Bogotá, NASA indigenous financial services and DCA activities. In addition, RFI also gathered success stories to showcase progress on FI communications, financial processes and procedures and their impact on communities. RFI aims to publish a book filled with success stories from its partner FIs in Year 4.

Finally, RFI's documentation of best practices is also propelled by its microsite on the BdO website. Throughout the year, the Initiative built the organization's capacity to manage their own website. By doing so, RFI included a microsite in BdO's own website with information on the Initiative's activities and progress. This is not only relevant during the Initiative's implementation for people to learn about RFI's work, but it will remain beyond the life of RFI, as long as the BdO website continues to function, as opposed to a website owned by RFI which would be taken down once the project is over. RFI supported the entity in troubleshooting technical issues regarding the website, and BdO will continue updating content on their own starting in Year 4. This year, RFI's microsite has received 4,328 visits.

Document VCF experiences: Throughout the year RFI documented stories related to the VCF process. Notable stories are those of Corbanacol, a large plantain association and the second greatest exporter in the country. They used the VCF methodology to access credits through Interactuar, allowing them to improve their facilities, thus, expanding their business and improving quality of life for the individual small producers who are members of the association. RFI documented this story through a video which is currently pending the FI's approval. Others are those of Coapromiel and Copimares, small honey associations that expanded their business thanks to VCF and Opportunity, as well as the stories of Café del Macizo and Asprocem, coffee associations who were financed by Banco Agrario through VCF. The honey and coffee stories were documented in text form.

Facilitate and document exchange visits. In April, RFI and some of its partner FIs participated in an international technology transfer visit to the Philippines (participants included ACH-Colombia, Bancamia, Banco Mundo Mujer, Microempresas de Colombia, Coofisam, Contactar and Emprender). The group met with government agencies, Filipino FIs and digital technology providers to discuss the challenges and opportunities faced by the Asian country when developing a more inclusive environment for financial services—including challenges of policy environment, client uptake, FI business models, and technology. The experience was documented via a Chemonics blog (<https://chemonics.com/from-the-philippines-to-colombia-three-insights-to-bridge-the-usage-gap-in-financial-services/>).

In addition, RFI supported an exchange visit from Contactar to Microempresas de Colombia and Interactuar in order for them to exchange knowledge on VCF, business development services and TA in communications. In turn, the other two will visit Contactar to explore the strategies used to keep portfolio at risk indicators under 4%.

Gender and Vulnerable Populations

RFI's Gender and Vulnerable Populations (GVP) strategy seeks to reduce economic disparity by providing women, ethnic minorities, and other vulnerable populations increased access to financial services. This is a crosscutting strategy that reaches the Initiative's different components. The achievements of this reporting period were as follows:

1. *NASA Community Project.* The Initiative awarded a Challenge grant to the NASA Community project in Y2Q3 to strengthen the use of their rotating loan funds model in the indigenous townships of San Francisco, Tacueyó and Toribío. Throughout Year 3, the Initiative worked with the community, in accordance with indigenous traditions and following what is established in their community life plan¹. This work was aimed at building a financial education model that serves the NASA's life plan and helps them establish rotating funds that empower their



Photo 7 NASA community member involved in USAID's TA to enhance their rotating funds

members as they develop economic activities, along with their sense of community. RFI held a workshop in NASA territory to transfer the methodology of rotating funds and have the three townships scale it up among their citizens.

In addition, part of the Challenge Grant included adjusting NASA's financial management indicators, their credit and savings manuals and provision of a software that allows them to better manage the community's rotating funds. The Initiative submitted recommendations and a financial education model that helped the community change preconceived notions regarding the community's savings habits, as well as an action plan to better manage the funds. Lastly, the Initiative provided them with the software they needed to make their funds accounting more efficient.

This Challenge Grant concluded successfully with the community establishing a new plan and vision for their rotating funds. However, they expressed their interest in continuing with a second phase of assistance in order to enhance their capabilities to use the software and reinforce financial concepts. After their challenge grant concluded, RFI and the NASA Community started working on a Phase II proposal that will be implemented through TA (not a Challenge or Incentive Grant).

2. *Bancompartir - Soy Líder.* This year, the Initiative implemented this program with Bancompartir in four economic corridors (Montes de María, Tumaco, Bajo Cauca and Tolima). The new departments are part of the scaling up strategy for Soy Líder. Since this is a program that mostly reaches women, RFI has engaged the bank's staff in a differentiated approach that makes contact with female customers respectful and easy going.

¹ Indigenous communities in Colombia establish a document called a "life plan". This is equivalent to a municipal development plan for the community, but is set for ten years and takes into account indigenous customs.

3. *Congente*. In Year 3, RFI supported the savings methodology for women “Semilla Cooperativa” (Cooperative Seed). The Initiative adjusted the FI’s financial education tool box and delivered the modified elements through training sessions so staff could learn how to use and implement them on their own.
4. *Colpensiones*. RFI reviewed the FI’s communications manual, adjusted it and designed communications pieces that would fall in line with the Initiative’s strategies and the entity’s needs, as established in the work plan. As noted in Section I, the agreement was suspended and later cancelled due to political delays, so communications work did not continue.

Synergies. During FY2018, RFI made progress on the following synergies regarding GVP activities.

1. *International Organization for Migration (IOM)*. IOM –through its Victims Institutional Strengthening Program (VISP)– and RFI worked together to implement RFI’s GLAC methodology in territories where both USAID programs overlap. To this end, RFI adjusted its methodology and transferred the knowledge to IOM’s staff in the municipalities of Buenos Aires (Cauca), Daveiba, Briceño (Antioquia), La Montañita (Caquetá) and Valencia (Córdoba). IOM hired the staff that would implement the methodology in the field and designed the tools to implement it. RFI initially planned to advise IOM during the implementation of their project. However, after the methodology transfer, IOM decided to embark on the rest of activities on its own in Y3Q4.
2. *ACDI/VOCA*: Similar to the work with IOM, RFI transferred its GLAC methodology to ACDI/VOCA staff for an activity to encourage savings that ACDI/VOCA planned to do in the departments of Tolima, Antioquia and Meta.
3. *UN Women*. The Initiative worked with UN Women to assess a women-led organization of small producers to be financed through VCF. The organization was Agrolecheros (dairy producers), whose legal representative is a woman and whose producers are mostly women. RFI carried out the assessment and held an initial training in soft skills, such as communications and sales skills. The assessment found that there were governance issues within the organization, which could lead to future implementation difficulties if not addressed properly. Effectively, those problems were not tackled in a timely manner by Agrolecheros and the process was halted altogether.

Since RFI was still interested in working with UN Women, both parties joined efforts with Fundación Ideas para la Paz to hold a planning session entitled “Challenges and Opportunities of Financial Inclusion with a Gender Focus” in Villavicencio, Meta. The event sought to design roadmaps for implementing financial inclusion strategies that specifically target women in rural Meta and convened representatives from women’s advocacy groups in Meta, Governor and Mayoral offices and RFI financial intermediaries (FIs): Banco Agrario, Bancompartir, Crezcamos and Congente.

During the event, FI representatives showcased actions they have taken to increase and improve women’s access to credit and savings products. These actions include reducing the number of requirements needed to access small and short-term loans (the most sought after by women) and implementing group methodologies for credit and savings within communities, such as local savings and credit groups (GLAC), solidarity groups or trust groups.

Monitoring and Evaluation (M&E)

As explained in the previous quarterly report, RFI has agreed with USAID that it will report indicator progress with a one-quarter delay, since the data needed to calculate indicators RFI-01 to RFI-07 cannot be submitted by FIs on time for USAID's quarterly and annual reports. With the new schedule, for example, in Year 3 Q3, RFI will report quantitative results data for Year 3 Q2; in Year 3 Q4, RFI will report information for Year 3 Q3; etc. This allows RFI adequate time to receive and validate the data to ensure accuracy. Therefore, this section lays out the Initiative's performance in FY2018 between Q1 and Q3 for indicators IFR-01 to IFR-07. The remaining indicators do not rely on FI data and instead are generated by RFI; thus, the section shows information through Q4 for indicators RFI-08 to RFI-15. This section also contains the cumulative performance since program inception in 2015. The information in this report has been uploaded to USAID's MONITOR system.

CUMULATIVE PERFORMANCE

This report shows data provided by each FI and validated by RFI, according to the Work Plans defined with the Initiative. The FIs included in this report are: Bancamia, Banco Agrario, Bancompartir, Banco de Bogotá, Banco Davivienda, Coofisam, Congente, Crezcamos, Interactuar, Microempresas de Colombia, Mundo Mujer y Opportunity. The data reveals coverage in all seven corridors and 197 target municipalities. Annex I provides detailed information on each indicator, as established in the Activity Monitoring and Evaluation Plan (AMEP).

Figure 22: Life of Project Cumulative Total -- Clients by Corridor*

CORRIDOR	Women	Men	Sex Not Reported	Enterprise	Total
BAJO CAUCA ANTIOQUEÑO - SUR DE CÓRDOBA	69.921	72.172	394	208	142.695
CAQUETÁ	40.914	50.016	1.652	196	92.778
META	23.065	22.336	327	594	46.322
MONTES DE MARÍA	46.484	47.832	171	49	94.536
NORTE DEL CAUCA- SUR DEL VALLE DEL CAUCA	24.560	20.804	109	92	45.565
SUR DE TOLIMA	15.345	15.108	1.369	66	31.888
TUMACO	4.369	3.900	56	13	8.338
	224.658	232.168	4.078	1.218	462.122

Source: Cumulative data provided by partner FIs to RFI

Figure 23. Life of Project Cumulative Total – Financial Services Provided by Type and Location

CORRIDOR	Loans		Savings		Insurances		Total	
	Clients	Value \$USD	Clients	Value \$USD	Clients	Value \$USD	Clients	Value \$USD
BAJO CAUCA ANTIOQUEÑO - SUR DE CÓRDOBA	68.022	\$ 152.610.070	33.094	\$ 2.249.167	41.579	\$ 1.441.050	142.695	\$ 156.300.286
CAQUETÁ	44.653	\$ 105.799.598	25.353	\$ 43.596.399	22.772	\$ 1.104.364	92.778	\$ 150.500.362
META	21.423	\$ 63.851.965	12.049	\$ 11.016.707	12.850	\$ 401.346	46.322	\$ 75.270.017
MONTES DE MARÍA	39.905	\$ 57.874.566	11.207	\$ 1.698.110	43.424	\$ 1.623.365	94.536	\$ 61.196.041
NORTE DEL CAUCA- SUR DEL VALLE DEL CAUCA	22.792	\$ 53.824.884	7.126	\$ 3.089.866	15.647	\$ 572.646	45.565	\$ 57.487.396
SUR DE TOLIMA	19.245	\$ 113.079.170	4.509	\$ 3.133.569	8.134	\$ 250.182	31.888	\$ 116.462.921
TUMACO	4.689	\$ 9.024.857	1.154	\$ 56.060	2.495	\$ 112.216	8.338	\$ 9.193.134
TOTAL	220.729	\$ 556.065.109	94.492	\$ 64.839.878	146.901	\$ 5.505.169	462.122	\$ 626.410.156

Source: Cummulative data provided by partner FIs to RFI

Client Estimates by Ethnic Group:

The RFI AMEP identifies limitations in ethnicity disaggregation: Ethnicity disaggregation for financial services is not reported by FIs because they do not ask for that information when clients access services. The reasons why FIs do not ask for this information are as follows:

1. Colombian regulations to protect personal financial information (Law 1226/2008)
2. FI operational limitations. It is not viable for FIs to ask for clients' ethnicity, in order to remain unbiased when granting financial services.

Given the limitations, the AMEP PIRs indicate that RFI will use ethnic population distribution per RFI target department, according to the latest census, which was carried out by the National Administrative Department of Statistics (DANE) in 2005, as seen in Figure 25.

Figure 25. Ethnic distribution in RFI target departments

DEPARTMENT	INDIGENOUS		AFRO-COLOMBIAN		TOTAL ETHNICPOPULATION	
	Total	%	Total	%	Total	%
ANTIOQUIA	28.914	0,52 %	593.174	10,59 %	622.715	11,12 %
BOLÍVAR	2.066	0,11%	491.364	26,75%	500.644	27,26%
CAQUETA	5.026	1,49%	11.661	3,45%	16.699	4,94%

CAUCA	248.532	21,03%	255.839	21,64%	504.555	42,69%
CÓRDOBA	151.064	10,33%	191.797	13,11%	343.144	23,46%
HUILA	10.335	1,03%	11.516	1,15%	21.881	2,18%
MAGDALENA	9.045	0,80%	110.186	9,69%	119.395	10,50%
META	8.988	1,26%	17.911	2,51%	6.974	3,78%
NARIÑO	155.199	10,36%	270.433	18,05%	425.818	28,42%
SANTANDER	2.389	0,12%	59.707	3,12%	62.536	3,27%
SUCRE	82.934	10,88%	121.624	15,96%	204.731	26,86%
TOLIMA	55.987	4,27%	15.766	1,20%	71.843	5,47%
VALLE DEL CAUCA	22.313	0,55%	1.090.943	26,92%	1.115.199	27,52%

Source: National Planning Department, Portal Territorial. <https://terridata.dnp.gov.co/#/perfiles>

Adjustments to the Data

5. New clients indicator (RFI-01)

Microempresas de Colombia: The FI submitted adjustments from October 2017 to March 2018 due to a reclassification of customers for savings products. This resulted in modifications to Y3Q1 and Y3Q2, and a final result of 60,971 and 63,111 for each quarter, respectively. The total change was of 60 clients.

6. Leveraged funds indicator (RFI-08):

Coofisam: The FI adjusted its leveraged funds certifications for their incentive and challenge grant agreements for Y3Q3, due to a calculation error. RFI's M&E team modified the data in MONITOR in the corresponding reporting period. The final leverage information is as follows: Incentive grant US\$66,922 (instead of ; Challenge grant US\$45,145 (instead of.

Bancompartir: The bank did not submit their leveraged funds certification on time for both their incentive and challenge grant agreements because of troubleshooting issues in their internal system. Once the data was submitted, RFI processed it and uploaded the information to MONITOR. The final information is: Incentive grant US\$522,096; Challenge grant US\$1,715.

Nasa Community Project: The community did not submit their leveraged funds certification on time for the previous quarter. Once the data was submitted, RFI processed it and uploaded the information to MONITOR. The final information is: Challenge grant US\$20,212.

Given these adjustments, RFI has a new leveraged funds result for the April-June quarter: US\$2,149,227, shown as COP \$6,275,581,211 in the Third Party Funds YI Value of Leverage Funds.

Exceptions to requirements to report information to USAID's Development Data Library (DDL)

RFI receives data from its partner FIs, which report the number of new customers and the amount of financial services (loans, savings, insurance, etc.). This information is gathered by each FI and submitted

to RFI in encrypted code and subject to strict confidentiality clauses that are an integral part of the grant agreements signed with the Initiative. This confidentiality responds to Colombian data protection law (Habeas Data Law, 1581/2012), which states that financial organizations cannot share their clients' personal data.

In accordance with the law, RFI does not receive or reveal any personal information from clients; RFI receives data with randomly generated serial numbers for each client, rather than identifying information like name or national ID number. Furthermore, as established by ADS 579 Clause 3.2.3 Redacting Data and Exceptions to the Open Data Mandate, the Initiative refrains from publishing or reporting detailed personal information from financial beneficiaries in USAID's DDL, based on the following:

- When there are legal constraints on the disclosure of business or proprietary information of non-governmental organizations, contractors, or private sector clients or
- When the law or regulations of a recipient country apply to a bilateral agreement and restrict Access to information; or
- When data reveal private information about individuals that must be kept confidential consistent with ethical guidelines and federal regulations.

As such, RFI is not required to report client data to DDL and instead will continue reporting cumulative client information in USAID's MONITOR system, according to the requirements established in each Performance Indicator Reference Sheet (PIRS).

TraiNet reporting

To date, RFI has processed 320 attendance lists that meet TraiNet's training requirements (training sessions of more than 16 hours). Expenditures for workshops and other training to date was reported in TraiNet as US\$408,928.

III. Annexes

I. Indicator Progress (reflected in MONITOR)

No.	Indicator Description	Unit	LOP Target	2018 (AMEP target)	Cummulative FY 16	Cummulative FY 17	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Cummulative FY 18	% Cummulative 2018	LOP	% Total Target
													Cummulative	
RFI-01	Total number of clients	Number	200,000	40,000	31,628	246,437	60,971	63,111	0	59,975	184,057	460%	462,122	231%
RFI-02	Number of active clients	Number	112,500	45,000	32,679	272,469	294,645	370,749	370,749	385,945	385,945	858%	385,945	343%
RFI-03	Total value of financial services	(US\$)	500,000,000	85,000,000	63,967,626	310,244,079	75,755,913	77,020,873	0	99,421,665	252,198,451	297%	626,410,156	125%
RFI-04	Value of rural and agricultural loans	(US\$)	450,000,000	76,500,000	60,341,131	280,376,835	66,291,047	62,202,598	0	86,853,499	215,347,144	281%	556,065,110	124%
RFI-05	Outstanding portfolio	(US\$)	210,000,000	58,500,000	52,855,130	247,029,043	270,695,985	313,860,108	313,860,108	318,744,576	318,744,576	545%	318,744,576	152%
RFI-06	Portfolio at risk	Porcentaje	5%	7%	0,12%	3,20%	4,10%	5,68%	5,68%	6,00%	6,00%		6,00%	
RFI-07	Percentage of women	Porcentaje	50%	50%	50,10%	48,70%	49,10%	49,07%	49,07%	49,18%	49,18%		49,18%	
RFI-08	Value of resources leveraged	(US\$)	11,000,000	2,750,000	492,847	4,051,816	1,355,292	1,569,999	2,149,227	2,490,959	7,565,477	275%	12,110,140	110%
RFI-09	Number of gender and social mechanisms,	Number	10	3	0	3	0	0	2	3	5	167%	8	80%
RFI-10	Number of adjustments	Number	5	2	1	0	0	0	0	0	0	0%	1	20%
RFI-11	Number of communication pieces	Number	20	5	3	18	18	13	7	5	43	860%	64	320%
RFI-12 (Ym)	Value of mobilized funds (Ym)	\$ COP	0	0	185,213,163,506	919,852,140,011	225,888,224,690	215,046,128,166	0	292,945,934,844	733,880,287,700	0%	1,838,945,591,217	0%

RFI-13 (Xm)	Value of USAID investments linked to mobilized funds (Xm)	\$ COP	0	0	504,537,753	4,116,158,977	3,536,605,722	1,643,365,094	2,082,120,930	1,563,278,402	8,825,370,148	0%	13,446,066,878	0%
RFI-14 (Yl)	Value Of Leverage Funds (Yl)	\$ COP	0	0	1,508,860,254	12,190,991,203	3,937,599,854	4,578,363,858	6,275,581,211	7,238,862,037	22,030,406,960	0%	35,730,258,417	0%
RFI-15 (Xl)	Value Of USAID Investments Linked To Leverage Funds (Xl)	\$ COP	0	0	504,537,753	2,940,050,486	2,695,145,484	985,549,775	1,605,130,502	1,203,933,224	6,489,758,985	0%	9,934,347,224	0%

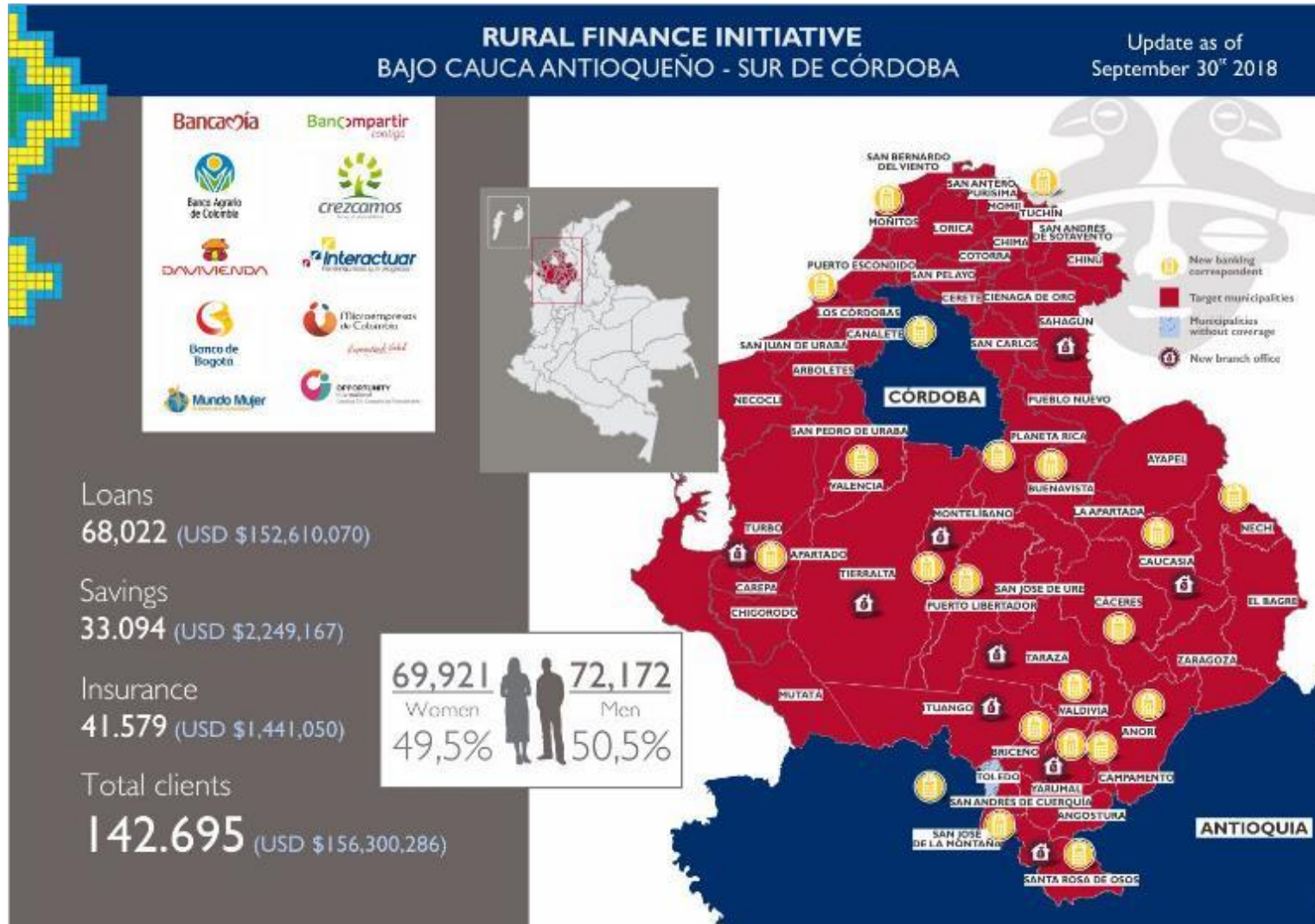
(*) As per the approved AMEP, FIs send RFI the information in Colombian pesos, and RFI converts to USD each quarter. The local currency will be converted to U.S. dollars at the average market foreign exchange rate for the reporting period using the US Treasury Exchange Rate for the last day of that reporting period (which can be consulted at <https://www.fiscal.treasury.gov/fsreports/rpt/treasRptRateExch/currentRates.htm>).

2. New Openings of Branches and Banking Correspondents

FI	Type	Municipality	Department	Corridor
Banco de Bogotá	Branch Office	Santander de Quilichao	Cauca	Cauca - Sur del Valle del Cauca
Bancamia	Branch Office	San Vicente del Caguán	Caquetá	Caquetá
Banco Mundo Mujer	Branch Office	Guamal	Meta	Meta
Bancompartir	Branch Office	Apartadó	Antioquia	Bajo Cauca Antioqueño – Sur de Córdoba
Bancompartir	Branch Office	Santander de Quilichao	Cauca	Cauca - Sur del Valle del Cauca
Bancompartir	Banking Correspondent	Garzón	Huila	Caquetá
Bancompartir	Banking Correspondent	Puerto Libertador	Córdoba	Bajo Cauca Antioqueño – Sur de Córdoba
Bancompartir	Banking Correspondent	El Carmen de Bolívar	Bolívar	Montes de María
Bancompartir	Banking Correspondent	Granada	Meta	Meta
Bancompartir	Banking Correspondent	Apartadó	Antioquia	Bajo Cauca Antioqueño – Sur de Córdoba
Bancompartir	Banking Correspondent	Montelíbano	Córdoba	Bajo Cauca Antioqueño – Sur de Córdoba
Bancompartir	Banking Correspondent	Pitalito	Huila	Caquetá
Bancompartir	Banking Correspondent	El Pital	Huila	Caquetá
Bancompartir	Banking Correspondent	Pitalito	Huila	Caquetá
Bancompartir	Banking Correspondent	Oporapa	Huila	Caquetá
Bancompartir	Banking Correspondent	Chinu	Córdoba	Bajo Cauca Antioqueño – Sur de Córdoba
Bancompartir	Banking Correspondent	Pitalito	Huila	Caquetá
Bancompartir	Banking Correspondent	Yaguara	Huila	Caquetá
Bancompartir	Banking Correspondent	San Antero	Córdoba	Bajo Cauca Antioqueño – Sur de Córdoba
Bancompartir	Banking Correspondent	Lorica	Córdoba	Bajo Cauca Antioqueño – Sur de Córdoba
Congente	Branch Office	Puerto Lleras	Meta	Meta
Congente	Branch Office	El Castillo	Meta	Meta
Congente	Branch Office	San Martín	Meta	Meta
Crezcamos	Branch Office	Acacías	Meta	Meta
Coofisam	Banking Correspondent	El Agrado	Huila	Caquetá

Coofisam	Banking Correspondent	Zuluaga	Huila	Caquetá
Coofisam	Banking Correspondent	Altamira	Huila	Caquetá
Crezcamos	Branch Office	Granada	Meta	Meta
Davienda	Banking Correspondent	Santa María	Huila	Caquetá
Davienda	Banking Correspondent	Ataco	Tolima	Sur del Tolima – Huila
Davienda	Banking Correspondent	San Luis de Cubarral	Meta	Meta
Interactuar	Branch Office	Sahagún	Córdoba	Bajo Cauca Antioqueño – Sur de Córdoba
Interactuar	Branch Office	Santa Rosa de Osos	Antioquia	Bajo Cauca Antioqueño – Sur de Córdoba
Microempresas de Colombia	Branch Office	Yarumal	Antioquia	Bajo Cauca Antioqueño – Sur de Córdoba
Microempresas de Colombia	Branch Office	El Bagre	Antioquia	Bajo Cauca Antioqueño – Sur de Córdoba
Microempresas de Colombia	Banking Correspondent	Campamento	Antioquia	Bajo Cauca Antioqueño – Sur de Córdoba
Microempresas de Colombia	Banking Correspondent	San Andrés de Cuerquía	Antioquia	Bajo Cauca Antioqueño – Sur de Córdoba
Microempresas de Colombia	Banking Correspondent	Anorí	Antioquia	Bajo Cauca Antioqueño – Sur de Córdoba
Microempresas de Colombia	Banking Correspondent	Planeta Rica	Córdoba	Bajo Cauca Antioqueño – Sur de Córdoba
Microempresas de Colombia	Banking Correspondent	Tierralta	Córdoba	Bajo Cauca Antioqueño – Sur de Córdoba
Microempresas de Colombia	Banking Correspondent	Puerto Libertador	Córdoba	Bajo Cauca Antioqueño – Sur de Córdoba

3. Geographic Corridor Maps



RURAL FINANCE INITIATIVE CAQUETÁ

Update as of
September 30th 2018

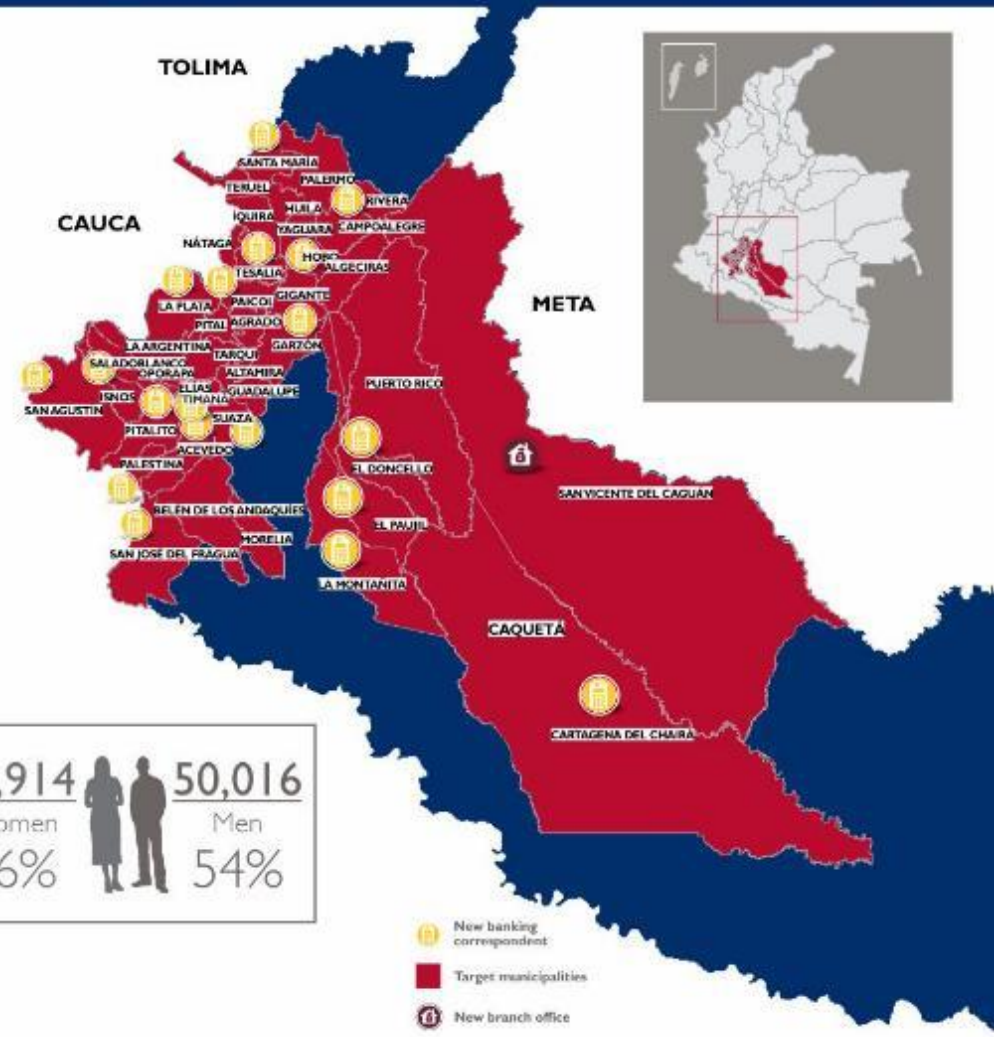


Loans
44,653 (USD \$105,799,598)

Savings
25,353 (USD \$43,596,399)

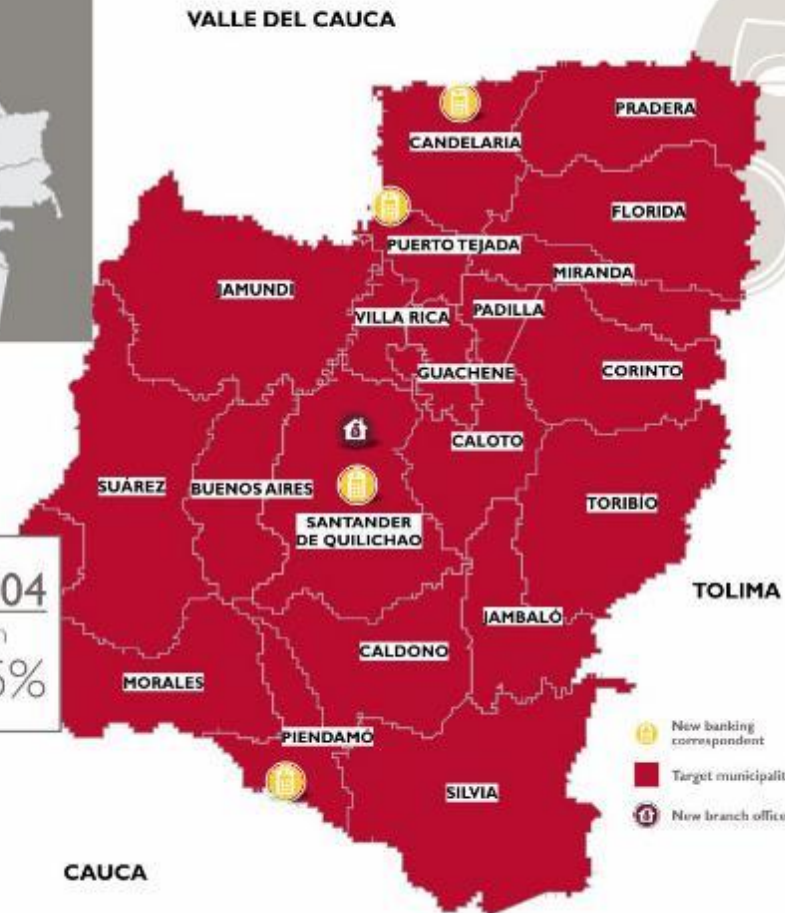
Insurance
22,772 (USD \$1,104,364)

Total clients
92,778 (USD \$150,500,362)



RURAL FINANCE INITIATIVE NORTE DEL CAUCA - SUR DEL VALLE DEL CAUCA

Update as of
September 30th 2018

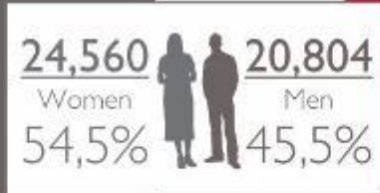


Loans
22,792 (USD \$ 53,824,884)

Savings
7,126 (USD \$3,089,866)

Insurance
15,647 (USD \$572,646)

Total clients
45,565 (USD \$57,487,396)



RURAL FINANCE INITIATIVE META

Update as of
September 30th 2018




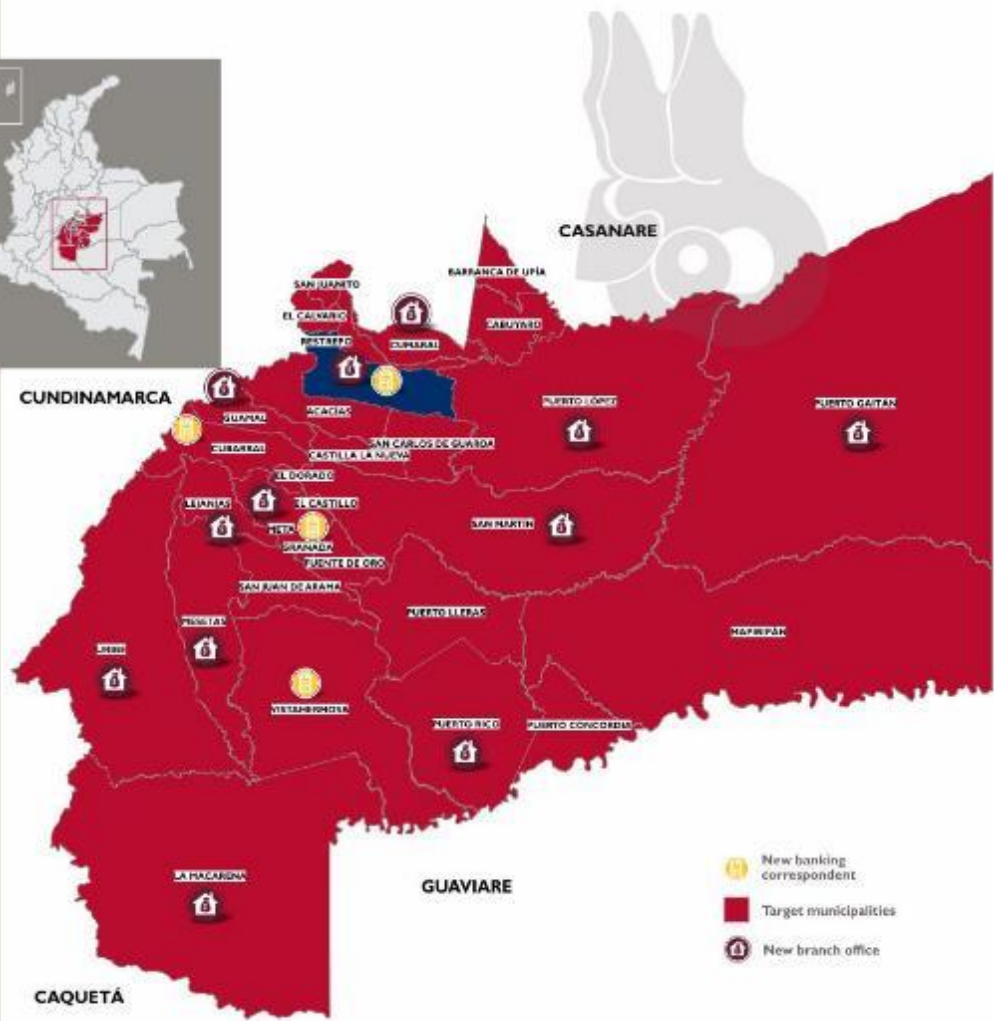
Loans
21,423 (USD \$63,851,965)

Savings
12,049 (USD \$11,016,707)

Insurance
12,850 (USD \$401,346)

Total clients
46,322 (USD \$75,270,017)

23,065		22,336
Women		Men
52%		48%



RURAL FINANCE INITIATIVE MONTES DE MARÍA

Update as of
September 30th 2018



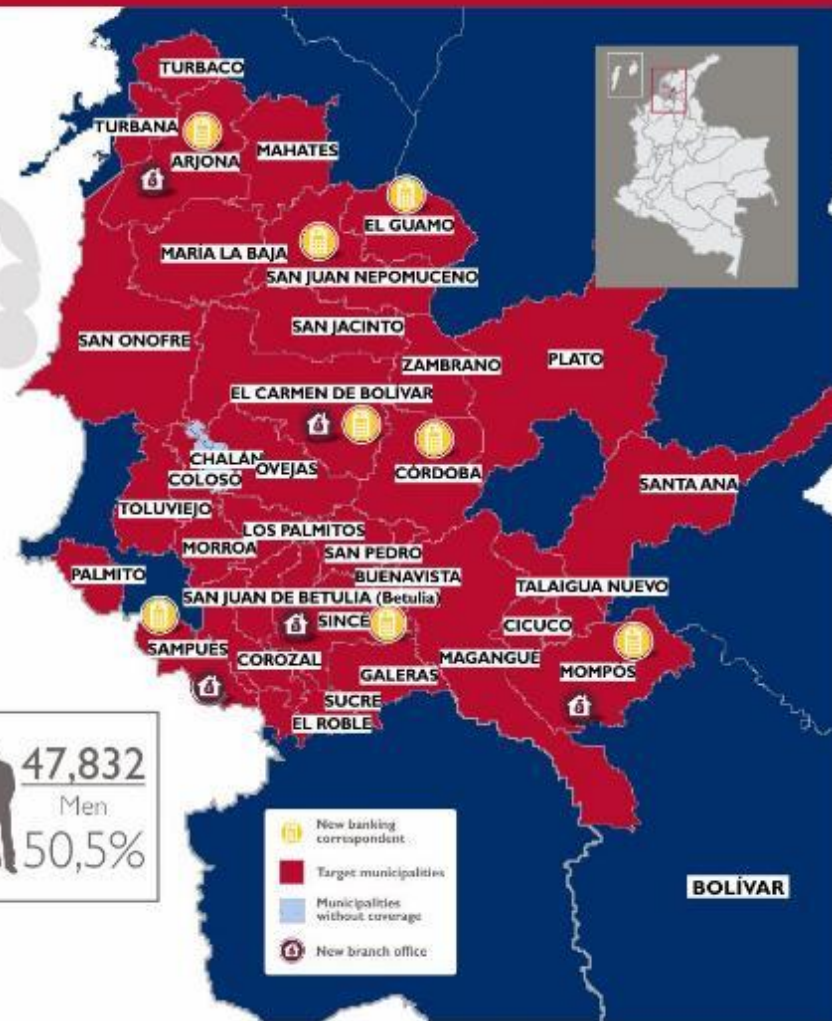
Loans
39,905 (USD \$57,874,566)

Savings
11,207 (USD \$1,698,110)

Insurance
43,424 (USD \$1,623,365)

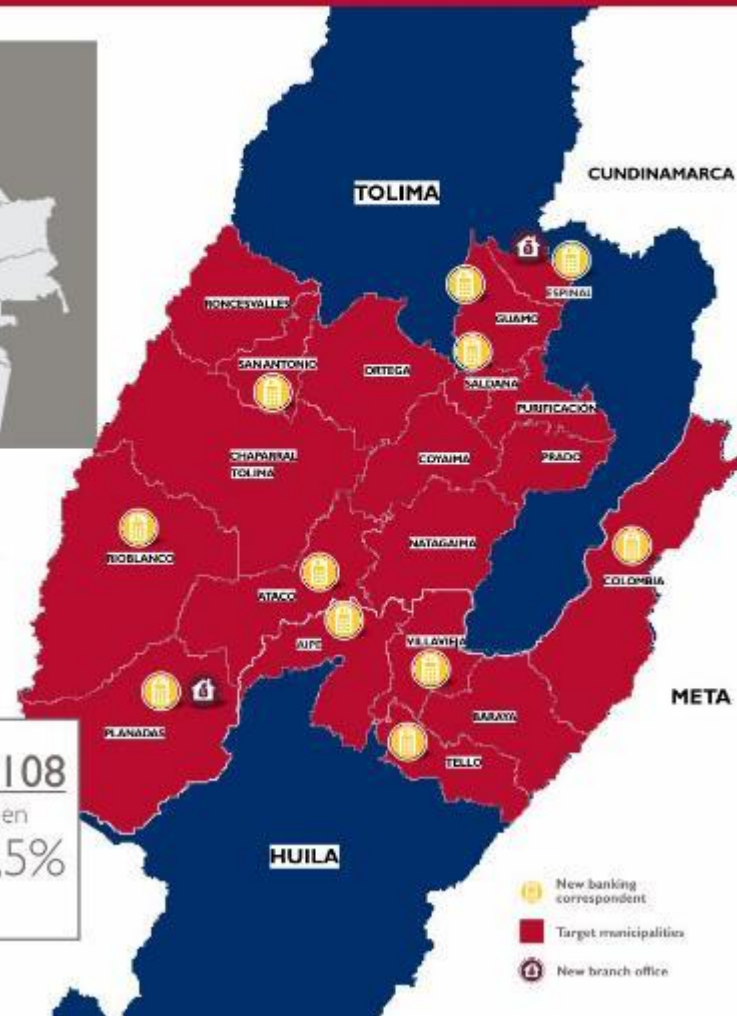
Total clients
94,536 (USD \$61,196,041)

46,484		47,832
Women		Men
49,5%		50,5%



RURAL FINANCE INITIATIVE SUR DEL TOLIMA

Update as of
September 30th 2018



Loans

19,245 (USD \$113,079,170)

Savings

4,509 (USD \$3,133,569)

Insurance

8,134 (USD \$250,182)

Total clients

31,888 (USD \$116,462,921)



- New banking correspondent
- Target municipalities
- New branch office

RURAL FINANCE INITIATIVE TUMACO

Update as of
September 30th 2018

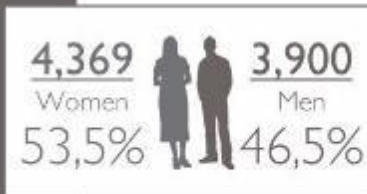


Loans
4,689 (USD \$9,024,857)

Savings
1,154 (USD \$56,060)

Insurance
2,495 (USD \$112,216)

Total clients
8,338 (USD \$9,193,134)



- New banking correspondent
- Target municipalities
- New branch office

4. Success Story

Adriana, the Berry Lady

Only 23 years old, Adriana Argota carries a great responsibility on her shoulders. She manages payroll for the 90 active members of the Association of Fruit Growers in Hornitos (Asofruhor), a Huila blackberry association spanning several villages and based in RFI target municipality of San José de Isnos. Adriana herself had been a blackberry producer and joined the association to boost her sales. The treasurer noticed her organization and dedication, so he asked her to be a treasury assistant. After a few months, Asofruhor members asked her to become the full-time treasurer. “The previous treasurer quit, but he suggested I replace him. People knew and trusted me, so they elected me unanimously,” says Adriana.



Photo 8 Adriana Argote, the treasurer of Asofruhor, is a blackberry grower herself.

When she committed herself fully to Asofruhor, Adriana did not just work to receive a paycheck, but she started researching the advantages of belonging to the financial cooperative that had an agreement with Asofruhor. “I was not a customer of any financial institution, but since the association already had an agreement with Coofisam, I decided to become a member too,” she explains.

Adriana opened a savings account for herself and her family and started a life plan: “Every week I make a deposit of about COP \$40,000,” (about US\$12) she says proudly. She also manages an account for her aging mother in which she deposits between COP \$50,000 and COP \$70,000 per week (US\$16 – US\$22).

Coofisam, one of the Colombian financial organizations supported by RFI to deliver more and better financial services to rural areas, has not just been advantageous for Adriana’s personal life, but has enhanced her work as a treasurer. “Through our account in Coofisam, I can disburse the entire payroll and transfer payments to all of our members, instead of having to deal with wads of cash,” says the treasurer. This was particularly important for her, since her predecessors had had to go through the dangerous situation of dealing with large sums of money in order to pay each member. Security became the number one priority after incidents in which previous treasurers were mugged while transporting cash from a bank to each producer. To prevent these situations from happening again, the board of directors made an executive decision and demanded that all members use a financial institution, so the association could transfer them money electronically instead of handling hard cash.

Besides the security benefits, belonging to Coofisam has simplified her job and resolved bottlenecks that made the entire process slow and bureaucratic. “We held a meeting with all of Asofruhor’s members and Coofisam so they could all open accounts. Coofisam’s staff came over, activated our debit cards and showed us how and where to use them,” says a relieved Adriana. Furthermore, banking with Coofisam has resulted in decreased operational costs for the association, since online transactions avoid transportation costs to receive payments from fruit buyers, as well as costs for members who no longer have to travel to Asofruhor’s office to collect payment. The extra money is being used now to hold member recreational activities and to run a small market for members only.

Despite Adriana’s efforts to get everyone on board and join Coofisam, some members have yet to engage with the financial institution. Nevertheless, she is fully aware of the advantages of joining Coofisam instead of continuing with cash operations. “I will always prioritize members who are also part of Coofisam and transfer their money first. On the other hand, the ones who are not affiliated must endure long lines and even come back at another time because there might not be enough cash at the municipality’s banking correspondent,” says Adriana. With fewer cash transactions, lower transaction costs and increased security, the association’s productivity has increased and resulted in improved income for all.