

Colombia: Rural Micro-enterprise Development Programme

Item	Assessment Remarks	Rating
Country & Project Name	Colombia: Rural Micro-enterprise Development Programme (PADEMÉR)	
Loan No.	426-CO	
Project Id.	520	
Board Date	11th September 1996	
Effectiveness Date	30th June 1997	
Original Closing Date	30th June 2003	
Final Closing Date	30th June 2007	
Total Project Cost USD(M)	25.95	
IFAD loan USD (M)	16	
Cofinanciers (if any)	CAF: USD 290 000	
Implementing Agency	Ministry of Agriculture and Rural Development	
Principal Components	The project aims to contribute to the global objective of reducing rural poverty in Colombia by increasing rural households' incomes. The project's general objective is supporting the development of rural-microenterprises as a means for increasing incomes of rural poor landless population with particular emphasis on households headed by women. These are the following specific objectives: (i) providing training and technical assistance to rural micro-entrepreneurs; (ii) granting adequate credit facilities to rural micro-entrepreneurs; (iii) strengthening NGOs and financial intermediaries in order to enhance their capabilities to deal with rural micro entrepreneurs; (iv) strengthening the second-tier national institutions responsible for the provision of technical assistance and training as well as for financial services directed to rural micro entrepreneurs. PADEMÉR has 4 components: 1) Technical services and training; 2) Institutional strengthening; 3) Financial services; and 4) Programme co-ordination.	
Project Performance		
Design	The design of the project can be considered quite well. The only flaws are those linked to the institutional aspects of the project, which were revised in the 2000 revision.	4
Implementation	During its first years, the project suffered from implementation difficulties mainly due to inefficient institutional arrangements and a strategy which was too supply-driven. Its disbursement levels during these years was very low as was its progress (this was the reason for giving it a 4 year extension). The project was revised in 2000 and was given a much more participatory and demand-driven slant, which helped provide a strong thrust to the project. After 2000/2001 project's financial management and progress very much improved. Both the PCR and the PSR (Project Status Report) give good ratings for the PIU (project implementation unit) commenting on its commitment and dynamism.	5
Relevance	The project is considered highly relevant considering the lack of micro-finance institutions in the project areas as well as technical support for the improvement of MERs' quality. The project's objectives are in line with both IFAD's COSOP (country strategic opportunities programme) and with relevant national policies aimed at reviving the financial sector and the rural areas.	5
Effectiveness	The PCR does not have an annex on physical progress against the Appraisal targets. Judging from the disbursement levels however the project was quite effective. With respect to the technical services and training component, the project cofinanced 199 projects developed by the rural microenterprises (MER) to support the development of 149 Associations of MER (AMER). The overall number of micro entrepreneurs assisted totalled 20,167, and projects were carried out in 22 departments, covering most of the country. Under the financial services component (the largest) 9 financial operators were contracted to act as financial intermediaries (out of the expected 12). Overall 4,992 loans were extended (more than originally planned) and there were 3,397 active clients under the programme. Lending increased each year after 2001, in terms of both number of loans and amounts. With respect to institutional strengthening, a total of 160 technological service suppliers were identified, more than the expected number. The capacity of the financial services operators was strengthened through an international seminar on microfinance and a study visit to Bolivia in 2006.	5
Efficiency	The project was quite efficient compared to similar projects in the country. The cost per family of its various activities ended up being lower than planned. The projects costs for every USD that reached the population was very low.	5
Partner Performance		

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IFAD	IFAD's performance was very good. IFAD carried out 20 missions and was very involved in the project's revision and amendments. Its interventions were always participatory and flexible. Its recommendations were timely and regular and IFAD also offered support through its regional initiatives such as FIDAMERICA and PREVAL (IFAD regional programmes for knowledge management and for strengthening results-based management and M&E).	5
Cooperating Institution	The CAF acted both as CI and as co-financier. In its first role, its performance is rated by the PCR and by the Project Status Report (PSR) as very good- it was timely and shared information in a satisfactory way.	5
Government	During its first years, the coordination between the various state actors involved in the project was not fully satisfactory, and this led to the project's poor performance. This changed in 2000 when the project was revised and placed solely under the responsibility of the MoA. The involvement of FINAGRO (a fund for increasing production and marketing in the agriculture and livestock sectors) in 2006 was also successful and its management of its activities well done. At the local level, the MoA was good at coordinating with the provincial and municipal authorities so as to involve them fully in the project.	4
NGO/Other	--	
Cofinancier(s)	As a co-financer, CAF's performance was not fully satisfactory, as the disbursements of its funds were not very timely. This situation improved after 2004.	4
Combined Partner Performance	<i>Overall this aspect of the project worked well. It was flawed at the beginning due to the general political situation in the country and because of the lack of coordination between the various actors involved. After that, the project progressed more smoothly. In terms of partnerships, the PSR (project status report) tells us that: "The involvement of a variety of public and private actors operating in the regions prioritized by the project was very effective and made it possible to organize cooperation processes based on cooperative partnerships. The various stakeholders – micro entrepreneurs, public institutions and service providers – were linked together in networks that broke with the traditional vertical pattern of a State that gives and a population that receives".</i>	5
Rural Poverty Impact		
Physical Assets	About 26% of MERs and some AMERs increased their assets: their members invested in agricultural tools and machinery, animals and permanent crops. The members also improved their houses and the PCR tells us that most MERs adopted new technologies. The extent of this increase in physical assets is however smaller than expected.	4
Financial Assets	The impact in this respect was mixed. The project managed to increase people's access to credit by helping set up 9 MFIs in the area and by introducing FINAGRO (national fund) to the area of microfinance. The 9 MFIs will operate at least until 2014. Also, 10 AMERs have set up revolving funds, self-managed by the beneficiaries which besides providing micro-credit services, introduced new products, such as loan funds for social purposes (health, housing and education), and innovative technologies. Overall, the number of AMERs and MERs with access to credit has increased. The type of credit that is given however is quite limited (only individual loans to experienced MERs). For this reason many MERs with less experience (the majority) have not had access to credit. The Guarantee Fund, that would have facilitated this access, was never set up.	4
Food Security	The PCR gives little information on this. In general, increases in income were not too high even though 88% of MERs increased their sales and employment increased thanks to the growth of the MERs. There is no information on the nutritional status of children.	4
Environment	The project did not have any significant environmental impact.	--
Human Assets	The project had a good impact on the technical capacities of MERs and AMERs. The micro-entrepreneurs improved their managerial skills, financial skills and their technical know-how. Many of the beneficiaries also sent their children to school as an effect of their increased sales and higher self-esteem.	5
Soc. Cap. & Emp.	The project had a strong impact in terms of empowering the beneficiaries. Their managerial skills improved as well as their capacity to negotiate with their clients and suppliers. The social organization of the MERs and AMERs improved: the PCR notes greater participation in decision-making and more transparency in their governing and managerial bodies. By 2008, around 3 000 micro-enterprises were relying on systematic management tools which have improved their competitiveness, facilitated access to new business opportunities, and the making of alliances and agreements with other economic and territorial agents, especially private enterprises, municipalities and local governments. Also, the AMERs are now legal entities and have drawn up their business plans and have created links with other actors in the value chain.	5

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Ag. Productivity	There is no information on this impact domain.	NA
Inst. & Serv.	The project has been quite useful in terms of affecting national financial policies. The MoA considered the PADEMER as its flagship project and issued a policy document on how to encourage and support microfinance in the rural areas. FINAGRO has also made steps to improve its outreach in poor rural areas and a law was issued to facilitate this outreach. It is also worthwhile noting that the progress made in de-centralizing PADEMER's activities, enabled the participation of local governments and regional offices of the MARD in the main decisions regarding resource allocation.	5
Markets	The PCR gives a positive judgement of this aspect: the MERs improved the quality and packaging of their products and managed to set up good ties with local and regional markets. The vision of the MERs also changed: they are now more aware of considering the marketing aspect in addition to the production one. The AMERs have also been quite good at creating ties with other actors in the value chain, although this aspect needs strengthening.	4
Project Impact	<i>The project's main impact was in the social empowerment and capacity building sphere. The ability of micro entrepreneurs to run their businesses has increased, as have their negotiating skills vis a vis their customers and suppliers. Even though the effect of this in terms on increasing income and quality of life is still not too clear, in general the project has reached its objective of supporting the development of rural-microenterprises.</i>	5
Overarching Factors		
Innovation	The strategy of reducing poverty by focusing on the development of rural micro enterprises is innovative, both for the Government of Colombia and for IFAD in Latin America and the Caribbean. The programme introduced specific approaches, organizational mechanisms and processes, which today constitute a proven strategy for supporting rural micro enterprise in Colombia. In particular, empowering micro entrepreneurs to set their own priorities and identify their own needs is an innovation that offers significant strategic potential and lays the foundation for a participatory process of rural development. The decentralization of the process for preselecting projects for co-financing through regional competitions, the participation of regional governments and of the micro entrepreneurs themselves in the preselection committees and the introduction of a rural approach to microfinance in Colombia are also important innovations.	5
Replicability and Scaling-up	The approaches introduced by the PADEMER can be scaled up, thanks to the degree of credibility enjoyed by the programme among concerned government authorities. Indeed, the idea of direct transfer of funds to beneficiaries (without the involvement of NGOs) is already being discussed within the Ministry of Commerce, Industry and Tourism with an eye to incorporating it into the ministry's support programme for urban micro enterprises. The programme also offers lessons for all actors in the Colombian financial system with regard to policies to support rural financial institutions. The reforms proposed in the Opportunity Bank policy document provide clear evidence of the willingness to change and reform in order to facilitate access to the formal financial system by the rural poor, who have not benefited generally from such services in the past.	4
Innovation, Replicability and Scaling-up		4
Sustainability and Ownership	PADEMAR was evaluated by the Office of Evaluation and according to the interim evaluation, the programme is likely to be sustainable. In terms of social sustainability, the evaluation has noted a clear sense of identification with the programme's objectives by everyone involved and a strengthening of the AMER's technical capacity and social organization which in the long run will help them support the MERs effectively. Economically speaking, virtually all of the micro enterprises studied are profitable, and are closely linked to one another and/or are in a direct business relationship with other more powerful agents in the value chains. The programme contributed to creating an institutional fabric which includes regional governments and private agents favourable to the development of MERs, and has also helped enhance the interaction between supply and demand, thus encouraging the improvement in the quality of services and ensuring their continuity. Lastly, the administration of the Credit Fund by FINAGRO will guarantee access to credit until 2014.	5
Targeting	The project was addressed to the poorest rural population with income below the poverty line. 76% of small producers who benefited from micro-enterprise development and micro-credit services fell within the project target group. In this sense, the vast participation of rural women and the inclusion of rural youth (around 15% of total beneficiaries) is to be highlighted.	5
Gender	The PCR does not give much information on its gender activities, but it considers it as a successful aspect of its impact. We are told that during execution, 44% of total beneficiaries (around 9 000 rural poor women) had access to project services and a significant number of women increased their income by around 23%. Rural women's	4

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	capacity to manage rural micro-enterprises was strengthened and many of them were elected to cover management positions in the associations of rural micro-entrepreneurs. There doesn't seem however to have been an explicit gender strategy nor was there a special focus on women in spite of this being part of the project's overall objectives.	
<u>Overall Performance</u>	<i>Overall, the project has fared quite well: it has revitalized the microenterprises in the area and set the stage for the growth of the rural micro-finance system which was badly needed. It has given strength to people's social capital and empowered them to take advantage of the new opportunities. It has also had an impact on the national policies regulating rural micro-finance thus placing this aspect firmly on the national agenda.</i>	<u>5</u>
Estimated number of beneficiaries	29 898 direct beneficiaries and 119 912 indirect beneficiaries. 13 929 of all (both direct and indirect) beneficiaries were women.	
PCR Quality		
Scope	The PCR covers most of the elements covered in the PCR template: it omits the physical progress table and a couple of impact sub-headings.	5
Quality	In terms of comprehensiveness of analysis, sometimes its explanations are too short and lack adequate quantitative data to support the statements. It is also at times contradictory.	4
Lessons	The PCR draws good and clear lessons that are relevant for other projects wishing to revitalize the rural micro-finance sector.	5