UNITED NATIONS

ECLAC

ECLAC

FOR SUSTAINABLE DEVELOPMENT WITH EQUALITY

FINAL ASSESSMENT REPORT

November 2018

ASSESSMENT OF DEVELOPMENT ACCOUNT PROJECT 14/15 AH

Promoting inclusive finance through development banking innovation practices to support social, productive development and structural change with a particular focus on SMEs in Latin American countries

FINAL ASSESSMENT REPORT

ASSESSMENT OF DEVELOPMENT ACCOUNT PROJECT 14/15 AH

Promoting inclusive finance through development banking innovation practices to support social, productive development and structural change with a particular focus on SMEs in Latin American countries

November 2018

This report was prepared by Francesco Badioli, an external consultant, who led the evaluation. Mr. Badioli worked under the overall guidance of Raúl García-Buchaca, Deputy Executive Secretary for Management and Programme Analysis of the Economic Commission for Latin America and the Caribbean (ECLAC), and Sandra Manuelito, Chief of the Programme Planning and Evaluation Unit of ECLAC; and under the direct supervision of Irene Barquero, Programme Management Officer of the same Unit, who provided strategic and technical guidance, coordination, and methodological and logistical support.

The evaluation team is grateful for the support provided by its project partners at ECLAC, all of whom were represented in the Evaluation Reference Group. Warm thanks go to the programme managers and technical advisers of ECLAC for their cooperation throughout the evaluation process and their assistance in the review of the report.

All comments on the evaluation report by the Evaluation Reference Group and the evaluation team of the Programme Planning and Evaluation Unit were considered by the evaluator and duly addressed, where appropriate, in the final text of the report. The views expressed in this report are those of the author and do not necessarily reflect the views of the Commission.

Printed at United Nations, Santiago
S.18-01159

TABLE OF CONTENTS

EXECUTIVE SUMMARY

I. EVALUATION SCOPE

1. The project “Promoting inclusive finance through development banking innovation practices to support social, productive development and structural change with a particular focus on SMEs in Latin American countries” was designed within the framework of the Development Account programme to be implemented during the period 2015–2017 for a total budget of US$ 502,000 (plus additional funding of US$ 115,000 for 2018 activities). The final assessment of the project commissioned by ECLAC looked at all project activities and considered both anticipated and unanticipated key results. The main purposes were: analyse the design of the project as well as its relevance; assess the project’s level of efficiency and effectiveness; and take stock of the results obtained.

II. METHODOLOGY/MISSION ACTIVITIES

2. The assessment —carried out between July and October 2018— has been structured around four main standard criteria: relevance, efficiency, effectiveness and sustainability, plus two —complementarities and ECLAC value added— which were added to complete the analysis. For the **collection of secondary data**, besides project documents, the evaluator searched other national and regional sources. For the **interviews**, the evaluator contacted three groups, the national stakeholders (6 out of 17 answered), the external consultants (8 out of 9) and the ECLAC officers in charge of the project. It should be noted that the local stakeholders did not offer full collaboration and the evaluator had a few difficulties in contacting them. An **online questionnaire**, addressed to all participants in project events, received a response rate of 23.6% (but one fourth of these are incomplete).

III. PROJECT ACTIVITIES

3. Activities and results show that the project has been quite successful: the number of beneficiary countries was twice that originally planned, and the number of meetings and workshops was also higher. The number of participants is close to 500. The increased availability of resources offers only a partial explanation for this: the main reason is the capacity of the management to use the resources efficiently to respond to real demand from the beneficiaries. This allowed a project that started as “supply driven” (i.e. offering the opportunity to receive knowledge and focused technical assistance), to become substantially “demand driven”, thanks to the management’s capacity to identify real demand, then generate the interest of other countries in participating while also being able to negotiate for the additional resources to respond to this increased demand for technical assistance and capacity-building, essential to consolidate the results. ECLAC planned the project for four South American countries (Brazil, Colombia, Ecuador and Mexico); after the first meetings, interest on the part of other countries pushed ECLAC to expand the offer to them (Costa Rica in Central America) and then to Argentina, Peru and the Plurinational State of Bolivia. Moreover, stakeholders from other Latin American and Caribbean countries participated in the seminars and workshops, confirming the great interest in the contents and appreciation of the quality of the events that ECLAC organizes.

IV. RELEVANCE AND DESIGN

4. The project fits well both with the strategy of ECLAC and with the growth and financial stability priorities of Latin American and Caribbean countries. Financial inclusion remains a pending task in the region. Access to finance in Latin America and the Caribbean has generally been limited by their historically low rates of national savings, the fragility of their financial system (which offer primarily

short-term bank instruments) and their underdeveloped capital markets. In this context, the project's assumption that development banks can play an important role in filling the gap in financial inclusion was confirmed as credible and effective. In effect, development banks can be decisive actors in promoting and expanding financial inclusion through three channels: innovation in financial instruments/products (introduction of products or services to satisfy market demand for certain financial services); innovation in financial processes (introduction of new capacities, competencies and routines to improve efficiency, usually related to technological improvements), and strengthening interconnectivity with the rest of the financial system, including commercial banks. Moreover, the interest of this project lies not in the need for financial inclusion per se, but in financial inclusion for productive integration purposes. To achieve the project's objectives, the working hypothesis was to include and address innovation in both financial products and financial processes, as important channels for promoting financial access and inclusiveness. The project's design is based on the above-mentioned analysis and assumptions and builds a set of activities concentrated on specific studies followed by the distribution of knowledge (the innovative experiences coming from the region and abroad), as instruments to achieve the expected increase in availability of innovative financial tools targeting SMEs. The approach is not especially innovative as it follows a standard ECLAC modus operandi, whereby essential studies are used as a basis to develop the distribution of information together with policy advice, jointly with specific technical assistance: in the case of the present project, the innovation has been the link between financial inclusion and development banks. This has been a novelty much appreciated by the participants.

V.EFFICIENCY

5. The main outputs of the project are the national studies and the final regional presentation summarizing the main findings, including a selection of best practices; besides the studies, the other main area of activities has been the distribution of knowledge and the creation of new spaces for discussion and exchange of know-how. This was pursued through three main lines: (i) the publication of the studies on the project website; (ii) the events; and (iii) the establishment of a database and a platform. The quality of the studies is on average quite good, but sometimes they suffer from being overly "academic" —something that was commented on during the interviews and also noted in a few answers to the questionnaire. In effect, the final beneficiaries —that is, the officers at development banks, central banks and other public institutions, as well as commercial banks— report that they appreciated the discussions during the seminars on specific cases and practices presented by the different interventions more than the studies, because they found the former more useful for increasing knowledge and exchanging experiences to be transformed in new work tools. It is, however, well acknowledged that the studies offered a new point of view regarding the relation between development banks and financial inclusion, a specific area where the literature was not extensive. The larger-than-foreseen number of beneficiary countries and studies carried out confirms the quality of management, while the database and the platform, which were nevertheless supposed to be an essential component of the increased awareness and knowledge distribution, appear to need some time and fine-tuning to be fully exploitable. However, the comments from the participants show solid satisfaction, even though in some cases "better" practices would have been appreciated. This reflects the well-known trade-off between theory and practice: in the case of this project, ECLAC should be complimented for the capacity to offer solid answers in both respects. The management should be also commended on not only increasing the number of beneficiaries without increasing the resources, but also on providing assistance and knowledge to a broader public. The increased demand for participation, together with the demands for technical assistance, are indicators both of the relevance of the project's contents and objectives and of the capacity of ECLAC to offer the right answers to the region's issues.

VI. EFFECTIVENESS

6. The stated expected results —as they appear from the official project design— are quite ambitious, as they demand not only the identification of innovative instruments but also their effective use by development banks and by final beneficiaries. Moreover, the lack of any specific quantitative and/or qualitative definition make them quite generic; this should have compelled the management and the stakeholders to collect final real data from beneficiaries. However, this has been acknowledged as a very difficult task in the existing conditions, as the quality of statistics on SME financing in the region is still considered insufficient for consolidation and comparison. The project management acknowledged this challenge and the project reports analyse the expected accomplishments only by quality indicators, by the appreciation statements received and by the requests for technical assistance (which were not precisely the chosen indicators). The selection of event participants affording priority to national officers from development banks and central institutions has been the most effective way of enabling the transfer of know-how. The appreciation of the quality of the project's outputs comes from two sources: the questionnaires completed at the end of each event and the answers to the questionnaire distributed during this evaluation. Both show a substantial and continuous positive reception of what the project offers and its contents: more than 90% of the participants agreed that in terms of financial processes and/or instruments/financial policies: (i) the topics presented and discussed at the workshop, as well as the studies carried out by the project, were useful/very useful for the work of the participants' institutions; (ii) the analyses and recommendations presented at the seminars were useful/very useful for the work of the participants' institutions; and (iii) the innovations represented were very interesting but more efforts and technical assistance are needed to transform them into "practices".

VII. SUSTAINABILITY

7. The project's great success in terms of participation and of appreciation of the contents and know-how should be used to pave the way for the consolidation of the practices identified as most promising and effective. However, considering the heterogeneity of countries with diversified histories, regulations and experiences, a customized approach appears to be essential, even though this will probably complicate the capacity to consolidate data and then offer opportunities for comparisons and further analysis. According to the interviewees, to transform best practices into real, usable instruments, an "institutionalization" process needs to be built whereby practices are embedded in national processes. This would be aided by specialized, customized assistance to define, for each country, the needs, objectives, resources and procedures to build some sort of "institutionalized" structure as condition for the continuation of the practices. Regulating the new instruments for financial inclusion is, then, essential for their proper functioning. Moreover, some national and international bodies have started to warn that innovation in financial services and the entry of new agents require central banks and superintendencies to establish a regulatory environment adapted to this new reality, to avoid jeopardizing financial stability. Regulatory tensions between financial inclusion and stability have grown as a result of the international financial crisis. The main challenge will be finding a balance between fostering inclusion and guaranteeing the stability of the financial system. The main issues in relation to the sustainability of a process towards increased financial inclusion that are worth signalling with a view to future developments are: (i) the trade-off between financial stability and growth and the use of new tools that could increase development banks engagement with "riskier" clients; (ii) data collection and increasingly available information that should be used to balance information asymmetry; (iii) the need for institutionalization of financial inclusion objectives with a specific role for development banks; (iv) the potentially high impact of guarantee schemes associated with State support; and (v) the decisive importance of financial education to increase financial inclusion at all levels.

VIII. COORDINATION/COMPLEMENTARITIES/VISIBILITY

8. The management has made constant efforts to coordinate and achieve synergies with other ECLAC programmes and other international agencies (of the United Nations and others), in the conviction that this approach would enlarge the set of direct beneficiaries and consolidate the message. The project management had the opportunity to present the results of their efforts at many regional and international events, where the quantity and the quality of the outcomes, as well as the modalities of the activities, were appreciated, with a strong positive impact on the ECLAC image. Even without a proper communication strategy, the project activities and outcomes attracted much attention from local media and this allowed an increased outreach capacity. The management used the standard tools to increase visibility, with satisfactory results.

IX. ECLAC VALUE ADDED

9. Since the early 2010s, ECLAC has laid the groundwork for a development agenda based on equality as a strategic development goal: the historical data show the decisive importance of this approach, as Latin America and the Caribbean is the world region with the greatest inequality in income distribution. Study by ECLAC of the connection between development and equality was deepened and broadened, with the analysis concluding that qualitative changes in the production structure at the centre of the growth dynamic were essential to achieve greater equality. Designing and constructing inclusive and production-oriented financial systems are therefore important for a development agenda in which equality is a strategic goal. The project thus fits well with the overall ECLAC strategy. In the framework of the Sustainable Development Goals (SDGs), the project contributes directly to two main areas: fighting inequalities (SDG 5: achieve gender equality and empower all women and girls; and SDG 10: reduce inequality within and among countries), and promoting economic growth (SDG 8: promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all; and SDG 9: build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation). As it fosters financial inclusion, it will support the development of SMEs and afford access to economic growth for social sectors that would otherwise be left behind, such as women, minority groups and marginal economic actors. In this regard, the project's proposal to treat financial inclusion as a "public good" is especially important. It also contributes to creating a friendlier environment for job creation at the local and regional level, and to linking different economic actors together. Although no gender-specific impacts have been associated with financial inclusion in the project's design, strengthening the institutional capacity of governments in this policy area may be expected to have positive spillover effects in other areas, as the presence of women as economic actors is still limited in the region. In terms of participation, the data collected show that the participation of women was well below 50%, something that has been confirmed by the responses to the questionnaire, of which only 22% came from women. It is true that the topic is dominated by the men at the national level as well as at the ECLAC level: but the project management could have paid more attention to increasing women's participation.

X. CONCLUSIONS

10. Financial inclusion, as one of the objectives and expected results of the financial intermediation process, could raise difficult choices for policymakers. The role of public institutional investors —such as development banks— is emblematic in this respect. For example, it is not clear how to generate incentives for more risk-taking to foster investments, especially in innovation and growth, while preserving the stability of the financial system. On the one hand, to the extent that development banks invest too conservatively, they will underperform relevant benchmarks. On the other hand, generating more risk-taking would put institutions' funds at higher risk at the expense of taxpayers. And riskier behaviour makes monitoring of financial intermediaries more difficult. In other words, there is a strong trade-off between stability and development, and it is not clear where the socially optimal outcome lies. To complicate matters more for policymakers, the global financial crisis led to a devaluation of the international paradigms and a questioning of the international regulatory framework.

C1: The project's relevance confirms ECLAC outreach capacity.

11 The success of the project, due to selection of the main issue together with the implementation pattern, confirmed once again that ECLAC is the leader in the region in providing valuable and credible technical assistance.

C2: The project has been successful inasmuch it exceeded its planned activities and offered extra support.

12. The overall results are very positive and show the general high efficiency and effectiveness of the management which, with a focused and consistent approach, has been able to provide assistance and knowledge to a wider public.

C3: The final success of the project is due to the credible theory of change on which the design was based.

13. The project results and the debates during the events have validated the assumption that better information from authoritative sources, founded on valuable studies and coupled with focused participatory meetings based on the same studies and on selected practices, would produce the expected changes in term of awareness as a first step toward action.

C4: The project advanced credible justification for development banks' action in terms of market creation.

14. In line with some recent economic analysis and theory, the project's studies on the local situations, as well as the theoretical considerations, contributed to build a justification for more specific intervention by development banks.

C5: The project helped to improve public awareness of the role of development banks in the region.

15. The project's studies, events and technical assistance contributed to increasing awareness of the importance of development banks' engagement in increasing financial inclusion.

C6: …but heterogeneous situations and definitions and insufficient data make comparisons and consolidation difficult …

16. In terms of policies, public institutions have shown a notable willingness to act for the benefit of smaller companies. However, the relative importance given to the segment varies greatly and there is a great heterogeneity of institutional models and very varied priorities and guidelines.

C7: …which could push ECLAC to assume a specific role.

17. Considering the large set of actions already ongoing and the difficulties in obtaining data/statistics of good enough quality, there is space for specific intervention by ECLAC, which could lead the implementation of a methodology to prepare and produce a standardized way to collect data, something that the platform started doing.

C8: The implicit proposal to treat financial inclusion as a public good is attractive but will need more specifications and details to avoid risks.

18. Conceptualizing financial inclusion as a public good implies affording a role to development banks as promoters of productive financing. However, when investments involve management of public resources, higher potential risks should be carefully assessed.

C9: The sustainability of the project's outcomes depends on the capacity of development banks to incorporate or adapt the suggested innovations, including the related risk assessment.

19. Innovations are welcome, but they need both adaptation to local contexts and time to test and develop. Staying close to and working closely with markets should provide guidelines and performance benchmarks that limit excessive financial risk-taking, as well as the risks of political or bureaucratic capture.

C10: The instruments designed to support sustainability —the database on best practices and the platform— need to be fine-tuned and made more attractive.

20. Some of the activities towards the end of the project were undertaken to improve the conditions for sustainability of project outcomes: both the system of information on development bank instruments and the learning web platform are still under development, thereby reducing their current capacity to service beneficiaries.

C11: Transfer of technical know-how needs to be facilitated, especially when new concepts and instruments are distributed.

21. It was remarked during the meetings and in the demand for technical assistance that more direct support is needed in order to implement the suggestions for innovations, because the events were only able to elicit attention and the documentation was perhaps too academic to allow complete know-how transfer.

C12: Women as economic actors did not receive the specific attention they deserved, but financial inclusion as a general policy can provide a substantial boost to their participation.

22. Although no gender-specific impacts have been associated with financial inclusion in the project's design, strengthening the institutional capacity of governments in this policy area is expected to have positive spillover effects in other related areas, such as women's presence as economic actors, considering that this is still limited in the region.

XI. LESSONS LEARNED

L1: Concentrating actions on a single major issue helps to increase interest and impact.

23. The constant interest raised, as well as the amount of completed outputs and achieved outcomes, have been due to the capacities of the project management to take a set of important decisions: to concentrate the focus on development banks' role in financial inclusion for SMEs.

L2: The recent attention being paid to financial inclusion is already generating a wide set of interventions, so what is needed is wider sharing for increased impact…

24. From the national reports, it appears that development banks are already implementing a fair number of actions: almost all countries have adopted measures aimed at the productive integration of smaller companies.

L3: …nevertheless, innovations need time, experimentation and assessments (besides political will).

25. The introduction of innovations requires time, disposition and experimentation, with successes and mistakes, adaptation processes and, above all, the participation of the upper echelons of development banks in managing the processes of change.

L4: The challenges of heterogeneity can faced with more demand-side analysis, to develop appropriate instruments.

26. In the context of Latin America and the Caribbean, innovation for financing poses important challenges, since it is necessary to develop a range of instruments designed to address the region's characteristic productive heterogeneity: the need for appropriate instruments demands a segmentation of targets based on suitable analysis of the potential beneficiaries.

L5: When new approaches for important issues are presented to less prepared beneficiaries, some sort of follow-up will help consolidate the outcomes.

27. Because of its novelty, the package offered should contain some sort of technical assistance follow-up to consolidate the capacities.

L6: Better coordination within multiple interventions working on financial inclusion issues can increase efficiency and overall effectiveness.

28. The presence of a large variety of projects and programmes at the national and regional levels, to the point that there are overlaps between institutions and programmes, demands specific coordination efforts.

L7: Creating spaces for exchange of experiences between institutions is worth the effort.

29. The two spaces the project developed to allow exchange of experiences —the seminars and the platform— have been much appreciated by the stakeholders and potential beneficiaries.

L8: Practitioners demand more specific attention.

30. The officers at development banks and other institutions would have appreciated a more definite package of "best innovative tools" that could have been put into practice.

L9: Financial inclusion demands more than financial resources.

31. The project's studies showed that there are many other determinants favouring financial inclusion, of which the role of financial education was especially important.

XII. RECOMMENDATIONS

32. The best recommendation, considering the success of the project and the expectations it promoted, is quite simple: "Do not lose the momentum". From the interviews with ECLAC officers, it is clear that they are already engaged in building a credible continuation of the initiative.

The future of the initiative should be marked by two words: consolidation and institutionalization.

33. Two sets of specific recommendations may be made: those for ECLAC and those for national development banks.

ECLAC R1 (see C2, C3, C5, C6, C7, C8, L8 and L9): The role of development banks in sustainable development continues to be a thematic priority worth continuous engagement in the future.

34. The importance of State investment banks in the economy, particularly for transformative goals, is increasingly evident. Three areas for future research that would help advance the framework and that represent a new research agenda for evolutionary, innovation and development are:

- **Development of indicators to help evaluate the roles of development banks:** This is necessary because the standard economic indicators used in market failure cost-benefit analysis fail to capture precisely the aspects that make the market failure perspective limited.
- **Cross-comparison of different State investment banks and their model of operation:** This could help to establish best practices to increase the efficiency and effectiveness of development banks.
- **In-depth case studies of a single development bank or a single development bank programme:** particularly those that are most successful (i.e. generate positive returns) and mission-oriented.
- **Study of the use of alternative sources of information to balance information asymmetry:** The new digital environment produces real-time, verified data that can be mined to determine the quality of economic actors.
- **Study of the opportunity to develop specific instruments for female entrepreneurs.**

ECLAC R2 (see C5, C6, C7, L3 and L8): Consolidate the platform and use it to develop common standards to collect information and set up a network of practitioners.

35. The platform, an essential instrument for improved awareness and dissemination of information on development banks and financial inclusions, still lacks a convincing institutional set-up.

ECLAC R3 (see C7, L8): Develop analyses and strategies to increase financial education.

36. Financial inclusion —both at the enterprise and household level— needs more focused financial education. This is an area where the expertise and the knowledge distribution capacity of ECLAC can offer valuable contributions.

ECLAC R4 (see C3): Define expected results consistent with activities and resources.

37. The ECLAC project design should better reflect the implicit theory of change and problem analysis and define expected results consistent with the methodology selected for the activities and the available resources.

National development banks R1 (see C8, C9, L3, L4 and L5): Afford attention to the link between institutional dimension and innovation.

38. The innovation of public banking should also be extended to the institutional dimension.

National development banks R2 (see C9, L4 and L8): Increase analysis of demand to build segmentation of targets as a basis to develop the most suitable instruments.

39. The financing instruments should be adapted to the demand profile and to the structural characteristics of the smaller companies.

National development banks R3 (see C8, C9, L2, L4 and L6): Promote and manage more specialized equity/venture capital funds geared towards SMEs.

40. The challenge for development banks is not so much to provide abundant finance for all SMEs, but to find and nurture the so-called “gazelles”; that is, young, high-tech SMEs.

National development banks R4 (see C8, C9 and L6): Avoid placing development banks in contraposition to commercial banks, but operate to increase complementarities and joint value added.

41. The estimated financial gap for smaller companies in the region is quite large: development banks alone could not possibly offer the resources needed without incurring excessive risks or completely changing their investment behaviour. The largest amount of resources available to finance smaller companies is within the private banking system.

1. INTRODUCTION

1. The Development Account, established in 1997, is a mechanism to fund capacity-development projects of the economic and social entities of the United Nations. The Development Account adopts a medium- to long-term approach to helping countries to better integrate social, economic and environmental policies and strategies in order to achieve inclusive and sustained economic growth, poverty eradication, and sustainable development by building the socioeconomic capacity of developing countries through collaboration at the national, subregional, regional and interregional levels. The Development Account's operational profile is further reinforced by the adoption of pilot approaches that test new ideas and eventually scale them up through supplementary funding, and the emphasis on integration of national expertise in projects to ensure national ownership and sustainability of project outcomes.

2. According to United Nations rules and regulations, programmes must be evaluated on a regular, periodic basis as part of the general strengthening of the evaluation function to support and inform the decision-making cycle. The final assessment of the project should look at all project activities and consider both anticipated and unanticipated key results. This evaluation of the project "Promoting inclusive finance through development banking innovation practices to support social, productive development and structural change with a particular focus on SMEs in Latin American countries" was commissioned by ECLAC at the end of the project activities (June 2018) and was prepared between July and September 2018. The objective of this assessment was to review the efficiency, effectiveness, relevance and sustainability of the project implementation and, more particularly, document the results the project attained in relation to its overall objectives and expected accomplishments as defined in the project document.

3. The main purposes were defined as:

- Analyse the design of the project, as well as the relevance of its stated goals to the thematic area and region within which it operated.
- Assess the project's level of efficiency in implementing its activities, including its governance and management structures.
- Take stock of the results obtained by the project and evaluate the extent to which it achieved its objectives.

Special attention was given to gender concerns, that is, whether gender issues were incorporated into the project, whether project design and implementation incorporated the needs and priorities of women, whether women were treated as equal players, and whether it served to promote women's empowerment. During the evaluation process, the evaluator, following the well-established gender/human rights perspective embedded in development since the mid-1980s, must not only point out the conditions for the participation of all beneficiaries but also develop an approach that affords the right value and space to the different attitudes and feelings of persons contacted: besides the need for suitable representation, this will allow them to express their considerations in the most free and credible environment.

4. The assessment encompassed three different stages of the project —design, implementation and results— and has been structured around four main standard criteria: relevance, efficiency, effectiveness and sustainability, plus two —complementarities and ECLAC value added— which were added to complete the analysis. A set of evaluation questions based on the aforementioned criteria was prepared to guide both the collection of information and the analysis. The main evaluation criteria used were:

Relevance: the extent to which the project and its activities are suited to the priorities and policies of the region and countries at the time of formulation and to what extent they are linked or related to the ECLAC mandate and programme of work.

Efficiency: measurement of the outputs (qualitative and quantitative) in relation to the inputs.

Effectiveness: the extent to which the activities attain the project's objective and expected accomplishments.

Sustainability: the extent to which the benefits of the project are likely to continue after funding has been withdrawn.

Complementarities: the extent to which the activities and the outcomes of the project have been able to establish/exploit/increase the links with other actions of ECLAC, other United Nations bodies and local organizations.

ECLAC value added: the extent to which the project's activities and outcomes have confirmed the advantages of the ECLAC intervention, with special reference to the promotion of human rights, attention to gender concerns and contribution to the Sustainable Development Goals (SDGs).

5. Even though this assessment exercise should not be considered a fully-fledged evaluation (it involves less extensive data collection and analysis, and fewer evaluation criteria), nonetheless it is expected that ECLAC guiding principles will be applied to the evaluation process. In particular, special consideration will be given to assessing the extent to which ECLAC activities and products respected and promoted human rights. This includes whether ECLAC interventions treated beneficiaries as equals, safeguarded and promoted the rights of minorities, and helped to empower civil society. The target audience and principal users of the evaluation include all project implementing partners and beneficiaries, the Programme Manager of the Development Account (DESA), and other regional commissions and agencies of the United Nations system.

2. BACKGROUND

6. The project "Promoting inclusive finance through development banking innovation practices to support social, productive development and structural change with a particular focus on SMEs in Latin American countries" was designed within the framework of the Development Account programme. It was implemented during the period 2015–2017 for a total budget of US$ 502,000 (plus additional funding of US$ 115,000 for activities in the first half of 2018).

7. The scope of the project is to focus on the need to promote development of a wider array of financial instruments that will permit development banks to foster financial inclusion of the SME sector of the economy. Placing the focus on development banks' capacity to develop instruments targeted on SMEs is fundamental for Latin America and the Caribbean, since these firms are key players within the production fabric and also in terms of job creation.

8. The implicit theory of change can be summarized as follows. The relatively low level of financial inclusion of SMEs in Latin America is due, among many other factors, to the fact that national development banks have not been able to develop and distribute financial instruments and processes adapted to the needs of small economic actors. In order to improve the quality and effectiveness of financial instruments, it is essential to increase the capacity for analysis and management of development banks. Studying experiences from successful experiences in Latin America and other countries will allow identification of best practices and the possibility to transpose them to other countries, and to draft policy recommendations for the strengthening of development banks. The improved knowledge will contribute to the capacity of national development banks, thereby enabling them to develop financial instruments better suited to increasing SME access to financial markets.

9. The project's activities are thus targeted on building the capacity of development banks and other stakeholders in the region regarding financial inclusion, and assisting them in tailoring financial instruments to foster economic development, in particular for SMEs, through the identification of best practices in the region, with emphasis on the integration of their financial processes with commercial banks. The expected accomplishments of the project's activities were identified as:

- **EA1**: Strengthen public financial policies to promote financial inclusion of small and medium enterprises (SMEs), with indicator (IA1.1): Increased use of financial processes and instruments by national development banks designed to foster financial inclusion of SMEs in line with ECLAC recommendations.

- **EA2**: Improved financial instruments in Latin American and Caribbean development banking systems to mobilize resources for productive development, with indicator (IA2.1): Increased use of financial instruments tailored by development banks to the specific needs of SMEs to enhance their possibilities for growth and expansion.

10. To achieve these results, four lines of activities were planned under the project:

- The first line focused on studying experiences in a number of countries (eight in total) in the region, describing and analysing the instruments and processes that these countries' national development banks have successfully developed, including complementarities with commercial banking. The studies provided an assessment of the state of financial inclusion of each country case.

- The second line developed discussions between the main stakeholders, including national development bank officials, based on the presentation of the findings of the case studies. It was conducted through two-day national seminars with the participation of national development bank officials and experts in the area of financial inclusion and SME representatives. National and regional seminars and workshops were the discussion spaces in which the project contents were distributed.

- The third line was the preparation of a comparative regional study of Latin American experiences aimed at identifying a set of best practices and the conditions under which these could be replicated in other countries of the region.

- A fourth line will be increased regional cooperation in the knowledge and selection of existing practices to support SMEs and broader exchange of information on opportunities to capture economic benefits from best practices. The exchange of information and practices among countries is a tool to identify common bottlenecks as well as common elements of an enabling environment to design improved policy frameworks and instruments. This should be achieved through the establishment of a dedicated regional platform within the United Nations system and managed by ECLAC in coordination with local focal points.

11. The project started at the end of 2014 and the main activities were completed by June 2018, thanks to additional resources for an extension. The Financing for Development Division at ECLAC headquarters in Santiago was responsible for overall coordination and implementation of project activities in the Latin American and Caribbean region. In conjunction with the project's capacity-building and technical assistance activities, ECLAC promoted participation in a regional network of authorities, policymakers, policy practitioners, and academic, civil society and private sector representatives working in financial inclusion and SME support. Table 1 (prepared by the evaluator using data from Project Progress Reports 2015/2016/2017/2018 extension) shows the evolution of the budget allocations and resource use.

Table 1
Use of resources by the project
(Dollars)

Object class	Description	Budget / Allotment	2015	2016	2017	2018	TOTAL
Class 015	Other staff costs	40 048.00		20 778.00	9 269.50	7 820.60	37 867.60
Class 105	Consultants/ experts	213 000.00		129 283.31	12 036.69	70 523.10	211 843.10
Class 115	Travel of staff	49 615.00		9 539.12	33 064.88	7 008.00	49 615.20
Class 120	Contractual services	40 381.00		8 995.00	13 386.00	17 997.00	39 049.10
Class 125	Operating expenses	7 894.00		1 005.00	5 089.00	3 603.00	9 696.10
Class 135	Supplies materials	57.00			57.00		57.10
Class 145	Grants and contributions	266 005.00		4 502.,00	206.910.70	47.621.80	259 035.00
	Total	**617 000.00**		**174 102.43**	**279 813.77**	**154 573.50**	**607 163.20**

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

12. Two comments:

- The distribution of resources is consistent with the approach and methodology of the project: they are concentrated on consultancies to produce the studies and on the organization of meetings to distribute knowledge, stimulate discussion and provide a preliminary space for exchange of experiences and, possibly, of best practices;

- The extension for the first semester of 2018 was crucial to complete the activities: the resources spent in this final period (26% of the total budget in only 6 months) indicate the significance of these last actions for the project's achievements.

3. METHODOLOGY/MISSION ACTIVITIES/ LIMITATIONS: INTRODUCTION

13. The main modalities for the information and data collection have been:

(i) **Collection of secondary data:** credible and confirmed data are always the basis for any evaluation exercise; besides the large amount of data existing at ECLAC, this was done through research of other sources available at the country or regional level, that can help understanding the recent developments.

(ii) **Collection of primary data:** this was done through two actions: (i) a set of direct interviews with the main stakeholders at ECLAC and at each country level; and (ii) an online survey of all participants in the main actions of the project (i.e. the workshops, seminars and study tours). For the interviews, the local project managers were invited together with the international consultants and the representatives of the local organizations or institutions involved in the project's main issues. The interviews have been completed with the members of the ECLAC team in charge of the project.

14. At the start of the activities (early July 2018) the evaluator focused, according to the above methodology, on three main areas:

- Collection of secondary data from different sources
- The preparation of the online questionnaire
- Selection and contact with the potential interviewees from ECLAC and local organizations

We want to take the occasion to thank the entire ECLAC management team for their strong and continuous support of the evaluator (even while they were engaged in other missions): without their availability and engagement, the research and collection of information would have not been possible.

For the **collection of secondary data**, the evaluator started with the documents on a Dropbox file very well organized by the ECLAC management team. For other sources, the evaluator perused the documents available on the ECLAC website and the websites of other organizations (Latin American Association of Development Financing Institutions (ALIDE), regional and national development banks, the World Bank, the Inter-American Development Bank (IDB) and the European Union, among others). The reports from the ECLAC management team, together with the national and regional studies, have been substantial sources of information.

For the **interviews**, the evaluator followed the suggestions from the available documentation: three groups were selected, the participants or institutions that were the beneficiaries during project local events, the external consultants who worked on the preparation of the studies and the ECLAC officers. The first group contained 17 names (6 answered the evaluator's request and were interviewed); the second group comprised 9 persons (8 of them were interviewed). For ECLAC, three officers participated in the interviews.[1] It should be noted that the local stakeholders did not offer full collaboration and the evaluator had a few difficulties in contacting them and obtaining sufficient time for a quality conversation.

[1] The full list of interviewees is as follows: **local stakeholders**: Raul Hopkins (Peru, 16 August), David Zabala (Plurinational State of Bolivia, 17 August), Tiago Cabral (Brazil, 22 August), Eduardo Zavala (Mexico, 22 August), Alex Guerra (Brazil, 23 August) and John Molina (Costa Rica, 12 September); **consultants**: Sergio Woyecheszen (Argentina, 14 August), Janina Leon (Peru, 17 August), Germano Mendes de Paula (Brazil, 17 August), João Carlos Ferraz (Brazil, 20 August), Luis Alberto Zuleta (Colombia, 22 August), Luis Arce-Catacora (Plurinational State of Bolivia, 22 August), Sylvia Neira (Ecuador, 8 August) and Ramon Lecuona (Mexico, 9 September); **ECLAC**: Esteban Pérez, Adriana Matos and Daniel Titelman.

For the preparation of the **online questionnaire**, the assumption was to address the main topics of the research: (i) identification of the person (country, sex, education, place of work, type of engagement); (ii) participation in project activities; (iii) knowledge of the project's outputs/documents; (iv) appreciation and use of the project's outputs/outcomes; (v) a space for the necessary "qualitative" entries to complete the assessment. In general, all main questions were kept "closed" as much as possible to facilitate completion of the survey. The main working hypothesis was to address the universes of "beneficiaries" as recorded in the participant lists. The list of beneficiaries included the figures presented by the management team of event participants, excluding ECLAC officers and representatives of donors and of other international organizations. The survey was sent out on 22 August and followed up by two reminders on 27 August and 3 September, respectively.[2] The data on responses to the online questionnaire are shown in table 2.

Table 2
Responses to online questionnaire

Total addressees	Total answers	Completed questionnaires	Percentage of total	Incomplete questionnaires
363	111	86	23.6	25

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

15. Some comments: the number of questionnaire responses received with respect to the universe is within the standard for this type of exercise. However, this number is quite limited in itself and as such the questionnaire results should be used as evidence only with caution. Moreover, for a few questions, the responses were too few to be more than superficially significant.

16. Some **limitations** on the completeness of this evaluation exercise arise from:

- The basic modality through which the evaluation is implemented. The evaluation has been performed mostly as a desk study without direct relations with final beneficiaries, except for few direct interviews (see footnote 1). Consequently, it depended on data and information produced by the project and/or by the project's stakeholders, with **very limited capacity to triangulate with other sources**. Moreover, the **relatively low number of questionnaire responses**, especially for the most structured questions, reduced the validity of this source of information. As noted earlier, the direct interviews with the local stakeholders, which should have been a critical source, especially for the analysis of effectiveness and sustainability, have been quite limited in number and contents.

- The project design, which contains a definition of expected results and related indicators that is **quite generic** on the one hand (no indication of any specific qualitative–quantitative dimension and/or time), while on the other hand they may be considered **extremely ambitious**, but (i) without any capacity for verification (as they demand collection of specific data from beneficiaries that all sources indicate are almost impossible to obtain in the region), and (ii) without any consideration of the multiplicity of factors that can affect beneficiaries' behaviour. **These two limitations converge to shape an evaluation exercise that addresses qualitative more than quantitative features, where improved awareness/knowledge could drive change of behaviours/attitudes as indicators of achievement.**

[2] The total number of questionnaire addressees is fewer than the total number of participants, as the former did not include duplications, ECLAC staff, or international organization staff: this made it possible to directly target the potential final beneficiaries (officers at development banks and other national financial institutions).

- The **very short time since the project's activities ended**, with some of the activities that should produce the project's most relevant outcomes **in effect still ongoing in some sort of test phase**, making their management constraints and potential results very difficult to assess: **this did not allow time to create potential expected outcomes vis-à-vis the beneficiaries, so that these cannot be identified through the indicators defined.** This again —as noted earlier— obliged the evaluator to use more a quality-based approach than a standard quantitative one.

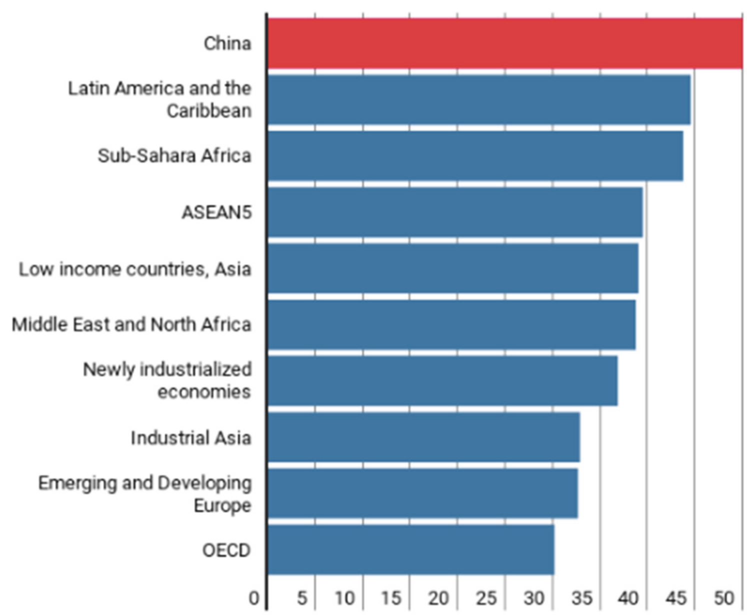
4. MAIN FINDINGS ACCORDING TO EVALUATION QUESTIONS

EQ 1: How well suited is the ECLAC Development Account project, through its components/activities, to the priorities and policies of the region and countries in relation to the major issues identified to increase access to finance for MSMEs and how well was the project and its components and activities adapted to changing circumstances?

F1.1: The project fits well both with the strategy of ECLAC and with the growth and financial stability priorities of Latin American and Caribbean countries.

17. Since the early 2010s, ECLAC has laid the groundwork for a development agenda based on equality as a strategic development goal:[3] figure 1 illustrates the importance of this approach, as Latin America and the Caribbean is the world region with the greatest inequality in income distribution.

Figure 1
World (selected countries and groupings): inequality measured by the Gini coefficient



Source: *The Economist*, 24 September 2018.

[3] See Economic Commission for Latin America and the Caribbean (ECLAC), *Time for Equality: Closing Gaps, Opening Trails* (LC/G.2432(SES.33/3)), Santiago, 2010.

18. Study by ECLAC of the connection between development and equality was deepened and broadened in a follow-up document, in which qualitative changes in the production structure at the centre of the growth dynamic were deemed essential to achieve greater equality.[4] Designing and constructing inclusive and production-oriented financial systems are thus important actions for a development agenda, where equality is a strategic development goal. To this end, the countries of the region require strong public institutions, along with prudent and countercyclical regulations. Accordingly, a key element is strengthening national public development banking institutions. National development banks provide credit, long-term funding and a variety of other services to households and firms, in particular to SMEs, whose financial needs are underserved by private commercial banks or local capital markets.

19. The present project was born within this framework and correctly analysed the links between the regional financial environment, the role of development banks and the needs of SMEs. The project's first basic assumption is that the agenda and policy of financial inclusion[5] should cover all public and private initiatives, from the point of view of both demand and supply, in order to provide formal financial services to households and traditionally excluded SMEs, using products and services fit for their needs. In this sense, the idea is to use the financial system as an instrument to expand the savings and consumption possibilities of all, while at the same time contributing to exploit business talent and increase investment opportunities. The second basic assumption is that development banks in the region must participate and foster financial inclusion through new and innovative practices and instruments adapted to the needs of the beneficiaries and to rapid changes in the financial and economic environment. Financial inclusion thus refers to efforts and initiatives aimed at: (i) granting access to financial services to those segments of the population that are not part of the formal financial system; (ii) improving and perfecting the use of the formal financial system for those that are already part of it. Financial inclusion, in the project's view, should be seen as a policy of productive integration whose ultimate objective is increased contribution to growth and opportunities for the working population. Financial inclusion must therefore cover a balanced set of products and services, payments, finance and insurance. It could thus be argued that the public sector can make a fourfold contribution to incentivizing greater private sector investment by: (i) reducing risks and impediments to investment by creating a stronger enabling environment, including through an effective legal, policy and regulatory framework, as well as addressing other market failures; (ii) sharing risks between the public and private sectors by catalyzing and leveraging private investment through new financing models; (iii) aligning private sector incentives with public goals; and (iv) balancing regulations and policies to ensure financial system stability, with access to credit and financial services.

20. The project fits quite well both with the strategy of ECLAC and with the growth and stability priorities of Latin American and Caribbean countries. Access to finance in the countries of the region has generally been limited by their historically low rates of national savings, the fragility of their financial systems, which offer primarily short-term bank instruments, and their underdeveloped capital markets. In the case of SMEs, the financial system is used mainly for deposits and as a means of payment rather than as a vehicle to foster investment and develop productive potential. Aside from adopting policies for promoting outreach among specific groups (such as SMEs, the poor, or rural-dwellers), governments can influence the extent to which financial services are provided by financial institutions and used by the population at large by ensuring that the appropriate financial sector infrastructure and regulations are in place. In particular, the supply and use of credit services will be influenced by the degree to which credit information is widely available to banks and the extent to which creditors feel that their rights are protected.

---

[4] See Economic Commission for Latin America and the Caribbean (ECLAC), *Structural Change for Equality: An Integrated Approach to Development* (LC/G.2524(SES.34/3)), Santiago, 2012.

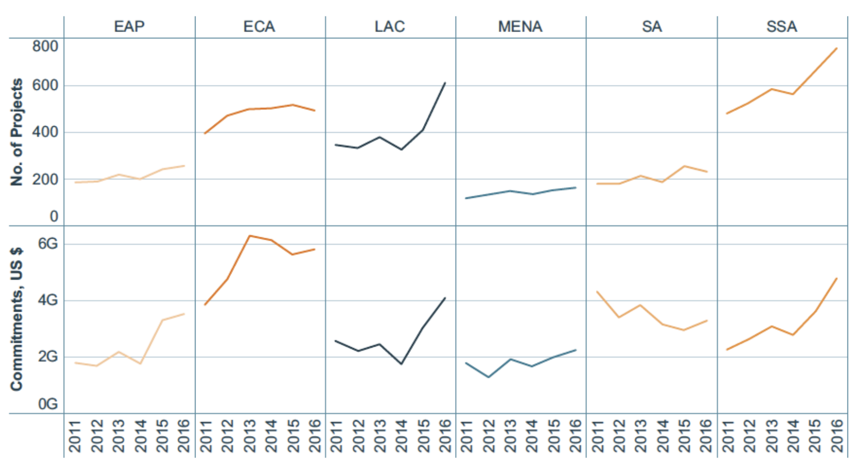
[5] The former Secretary-General of the United Nations, Kofi Annan, in a speech given on 29 December 2003, and the Government of the United Kingdom, in a budget report, were the first to use the concept of financial inclusion. See HM Treasury, *2004 Spending Review. Stability, Security and Opportunity for All: Investing for Britain's Long-term Future*, London, 2004.

F1.2: Financial inclusion remains a pending task in the region, especially for SMEs.

21. The relatively low level of financial inclusion of SMEs in Latin America and the Caribbean is due, among many other factors, to the fact that national development banks have not been sufficiently able to develop and distribute financial instruments and processes of a quantity and quality adapted to the needs of small economic actors (by quantity, by geographical location, by quality of instruments). In order to improve the quality and effectiveness of financial instruments, it is essential to increase the analysis and management capacity of development banks. Studying experiences from successful practices in Latin America and elsewhere will allow identification of best practices and the possibility to transpose them to other countries, and policy recommendations for the strengthening of development banks. The improved knowledge —distributed through specific channels (studies, meetings, website, interactive platform)— should then contribute to the capacity of national development banks, thereby enabling them to develop financial instruments better suited to increasing SME access to financial markets. This is the basic theory of change proposed by the project activities and it fits the situation of the region accurately.

22. However, it should be noted that, as a region, Latin America and the Caribbean has the second largest number of interventions under way and the second largest amount of resources invested to facilitate financial inclusion, after sub-Saharan Africa (see figure 2): this is well justified by the existing gap (see below for more details) and by the above-mentioned inequality and the link between financial inclusion and growth. In effect, extensive studies show that stimulating financial inclusion has the potential to bolster economic growth while alleviating poverty. It provides access to payments and savings, protects against crises and mobilizes resources essential for investment and consumption. Additionally, financial inclusion can further boost economic progress by identifying new viable markets for financial services providers, which in turn increases revenues for governments and provides employment opportunities for local communities. Consequently, financial inclusion is a stated goal today for both public and private sector actors and is seen by policymakers as a way to improve livelihoods, reduce poverty and advance economic development. Despite progress, large gaps remain in financial inclusion: across countries, income, gender, and many other dimensions. These large gaps in access to finance have prompted policymakers in many countries to set formal targets for financial inclusion. A majority of financial regulatory and supervisory agencies in the region have some aspects of financial inclusion in their mandates.

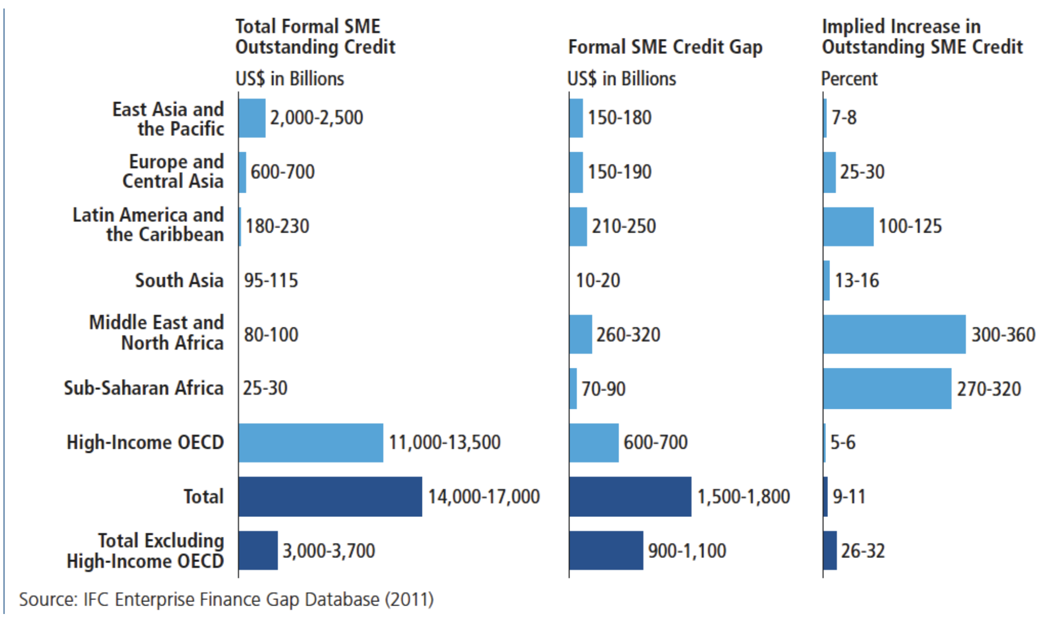
Figure 2
Interventions and investment for financial inclusion, 2011–2016



Source: Consultative Group to Assist the Poor (CGAP), CGAP Funder Survey, Washington, D.C., 2012–2017.
Note: EAP: East Asia and the Pacific; ECA= Europe and Central Asia; LAC=Latin America and the Caribbean; MENA: Middle East and North Africa; SA: South Asia; SSA: Sub-Saharan Africa.

23. SMEs play an important role in Latin American and Caribbean economies, particularly in terms of job creation. There are approximately 15 million SMEs in the region, contributing about 32% of its GDP and creating 88% of its jobs. SMEs tend to be less productive than larger firms, however, and are more likely to go out of business. Access to finance (A2F) is constrained for most SMEs in the region. The International Finance Corporation (IFC) estimated that there are between 2 million and 2.5 million SMEs not served by finance in Latin America and the Caribbean, with a credit gap of US$ 125 million – US$ 155 million (see figure 3). In World Bank Group enterprise surveys, a significant share (about 30%) of the region's SMEs rate A2F as the foremost constraint to growth. Fewer than 40% of smaller firms report having access to credit, compared to 76% of large firms. Furthermore, only 21% of smaller firms turn to banks to fund their investments, and they fund only a small portion (12%) of their investments with credit —again, about half the rate of large firms. SMEs face not only access restrictions, but also worse credit terms. A significant gap remains between the interest rates charged to Latin American and Caribbean SMEs and large companies: above 10% in Colombia and Peru and 4%–5% in Mexico, Guatemala and the Plurinational State of Bolivia, far exceeding the 1%–1.5% gap in developed countries. Availability is often limited to short-term working capital, rather than long-term funding. Collateral requirements are also more stringent for SMEs. Most Latin American and Caribbean business loans (72%) require the pledging of collateral. While the average loan-to-collateral-value ratio for SMEs is 49%, large companies are on average granted 62% of the value of the pledged collateral.

Figure 3
Estimation of the financing gap for small and medium enterprises (SMEs)



Source: World Bank, IFC Enterprise Finance Gap Database, Washington, D.C., 2011 [online] https://finances.worldbank.org/Other/IFC-Enterprise-Finance-Gap-Database-Raw-Data/2ppx-k958/data.

24. Equally importantly, the presence of a vibrant SME sector (as opposed to a "missing middle" between micro and large firms) is understood to be a key indicator of economic dynamism and a source of new ideas and competitive pressure that spur innovation. SMEs play a key role in the economic "turbulence" (entry and exit) that is a necessary part of rapid growth. In a healthy economy with competitive markets, new firms constantly enter the market, but most will exit again within five years. Better performing firms become large. Thus, large firms (survivors) are the most productive and long-lived. However, there is no optimal firm size. Optimal size, whether small, medium or large, depends on the sector, technology and country conditions. Healthy markets or specific State

interventions can select more productive firms. In Latin America and the Caribbean, innovative SMEs tend to generate more employment than do others. Size-neutral policies that enhance the environment for competition and innovation are both good for growth and good for SMEs.

25. In 2016, the ratio between credit and GDP in Latin America was 49.2%, a percentage much lower than in other regions.[6] In the same year, the global ratio was 131.4%, and in East Asia 143.4%. There are also large differences between the countries of the region, as the ratio fluctuates between 62.2% in Brazil and 14% in Argentina. The same goes for the development of national capital markets. Brazil, Colombia, Mexico and Peru have capitalization levels that vary between 37% and 44% of GDP, while in Argentina, Costa Rica and Ecuador they are less than 10%. This is a first demonstration that the region's financial system has limited capacity to provide resources. The overall result is as expected: regardless of the country or region, and in spite of having basic banking services such as a current account, the proportion of smaller companies that use banks as a source of loans is lower than that corresponding to large companies. On the other hand, the proportion of small companies that finance their investments with internal resources is higher, but when they finance them with external resources, the banks demand much higher guarantees than they do of larger companies. Overall, Latin America and the Caribbean as a region compares favourably with other regions on financial inclusion of firms. Chile, Barbados, Brazil, Peru, and some Caribbean countries lead in this regard. The share of firms with a loan or a line of credit (46%) is comparable to that in emerging Asia (48%). Nevertheless, collateral requirements are high and finance access and cost is seen as a major constraint by a large share of SMEs. In some countries (e.g. Peru), this reflects cumbersome legal systems and regulations, while in others (e.g. Guatemala) it is a case of information asymmetries and lack of reliable credit information. The legal proceedings for collecting collateral in the event of non-payment are also burdensome in many countries (e.g. El Salvador and Peru). These constraints, in part, are being circumvented through the use of rapidly growing non-traditional financing sources, such as factoring (Chile, Mexico), and initiatives such as *Bolsa de Productos* (Chile).

26. Moreover, impediments to financial inclusion can be country-specific. A comparison of firms in selected Latin American and Caribbean countries[7] shows that there are major differences within the region. For instance, access to finance by firms varies from under 50% in Guatemala to around 70% in Peru. Similarly, while a larger number of firms have access to finance in Costa Rica than in Guatemala, the collateral needed for business loans is 1.5 times higher in the former. Similarly, interest rate spreads (the difference between lending and deposit rates) in Costa Rica are 2.5 times higher than in Panama and El Salvador. While SMEs generally tend to be more constrained than larger firms, there is significant cross-country variation. For instance, only 7% of smaller firms in Peru report that access to finance is a major obstacle compared to around 52% in Colombia. Hence, the implications of relaxing these constraints for growth and inequality could have different impacts across countries.

27. Despite notable improvements between 2011 and 2014, Latin America and the Caribbean continues to lag behind other emerging markets on financial inclusion of households.[8] In 2011, only a few countries (Brazil, Costa Rica and Jamaica) scored high on household financial inclusion, compared to other non-Asian emerging markets. In Brazil, high levels of household financial inclusion reflect, in part, the past period of growth and stability as well as government policies aimed at improving distribution channels (e.g. using correspondent banking to administer the social assistance programme *Bolsa Familia*), promoting transparency (requiring banks to publish information on financial products), fostering financial education, and adapting regulation of financial services to the needs of low-income customers. In 2014, several other Latin American and Caribbean countries, including Chile, Uruguay and Venezuela (Bolivarian Republic of), joined the ranks of better-than-average-performers. In Chile, for example, the improvement can be attributed largely to efforts

6 See Economic Commission for Latin America and the Caribbean (ECLAC), *Economic Survey of Latin America and the Caribbean, 2016* (LC/G.2684-P), Santiago, 2016.

7 See E. Cavallo and A. Powell (coords.), *Latin America and Caribbean Macroeconomic Report 2018: A Mandate to Grow*, Washington, D.C., Inter-American Development Bank (IDB), 2018.

8 See L. Rojas, *Situación del financiamiento a pymes y empresas nuevas en América Latina*, Santiago, Economic Research Corporation for Latin America/Development Bank of Latin America (CAF), 2017.

aimed at fulfilling commitments made under the Maya Declaration. Specific actions included the introduction of an electronic payment system for transfers of State benefits, the launch of a financial education programme for beneficiaries of electronic payments, and the development of a financial inclusion survey. A State bank with a well-defined financial inclusion strategy (Banco Estado) has also played an important role.

F1.3: Recent developments in regional financial markets make the main project assumption (that development banks can play an important role in filling the gap in financial inclusion) credible.

28. Many Latin American and Caribbean countries have created a favourable environment for financial inclusion. According to the Global Microscope survey[9], which assesses the regulatory environment for financial inclusion across 12 indicators and 55 countries, while Latin America and the Caribbean has lost ground to emerging Asia in recent years, Peru, followed by Colombia, continues to be the world champion in having a favourable and enabling environment for financial inclusion. Other Latin American and Caribbean countries (Chile, Mexico and the Plurinational State of Bolivia) are also close to the top of the list. Latin America and the Caribbean excels in regulation and supervision of branches and agents, prudential regulation, and market conduct rules. It lags, however, on credit reporting systems, regulation of electronic payments, and regulation and supervision of deposit-taking activities. In the context of favourable regulatory environments, the seemingly low level of household financial inclusion in Latin America and the Caribbean is puzzling. In the next section we identify financial inclusion gaps, while accounting for country fundamentals and analysing factors behind these gaps, including the quality of regulatory environment.

29. In effect, the global financial systems of the Latin American and Caribbean region are at a crucial juncture. The financial systems in Latin America have effectively developed over the past two decades, becoming in many respects and by several standard measures deeper and more complex. In particular, there has been a transition from a mostly bank-based model to one that is more complete and more interconnected. Despite all the gains in financial development, however, the intensity of financial sector reform has not led to the expected increase in the size and depth of financial systems. For all the advances, many challenges remain. There is still a nagging contrast between the intensity of financial sector reform implemented in Latin America and the Caribbean over the past 20 years (including aggressive financial liberalization and vigorous efforts to adopt internationally recognized regulatory and supervisory standards) and the actual size and depth of the region's financial systems. In many respects —notably bank credit to the private sector and domestic equity market liquidity— the region's financial services industry is underdeveloped by international comparison. The expansion of bank credit has been biased in favour of financing consumption rather than production. Furthermore, the provision of long-term finance —whether to households, firms or infrastructure— still falls short of what many economists and policymakers consider desirable. Bond markets have expanded, but not as fast as those in the rest of the world. Private bond markets have increased in size but remain relatively small. Equity markets remain small, illiquid, and highly concentrated in large firms. While institutional investors are large and sophisticated, most of the savings are still channelled to government bonds and deposits and, as a result, large amounts of private savings are not being channelled directly to firms. In other words, the expected convergence of the region's indicators of financial development with those of more developed regions is not evident. Therefore, on the one hand, looking to the future, there is a need for a careful stocktaking of where the region's financial systems are now in terms of development (depth, diversity, access, degree of internationalization, and so forth), as well as of the enabling institutional and regulatory environment. On the other hand, a reassessment is needed of the financial development paradigm that has prevailed to date. As the global crisis has demonstrated, this needs to take into account two fundamental considerations: that the financial development process itself can lead to financial instability and that, to avoid such instability, the relationship between financial markets and the State needs to be reframed.

[9] See World Bank/International Finance Corporation/Inter-American Development Bank (IFC/IDB), "Obtaining finance in Latin America and the Caribbean", *Latin America and the Caribbean Series Note*, No. 5, Washington, D.C., 2013.

30. In effect, in Latin America and the Caribbean, the global financial crisis has reawakened contentious issues one thought to be settled. The region was moving away from public financial risk through the privatization of first-tier development banks and a refocusing of development banks toward second-tier lending, well-targeted guarantee programmes, and temporary, catalytic developmental supports. However, development banks are now considering whether they should grow bigger even in good times, so as to play a stronger role in bad times. At the same time, in many Latin American and Caribbean countries the pressures of globalization and the important role played by Chinese development banks in aggressively funding enterprises have stimulated an eagerness to revisit and rethink the role of public development banks in supporting the global competitiveness of the region's exporters, large or small.

31. Recent studies[10] show that labour productivity in Latin American and Caribbean countries is positively associated with higher demand for credit and better access to finance: this is an important result, signalling the existence of a trap between low productivity and financing constraints that needs to be addressed using policies designed to strengthen economic growth in the region. Latin America and the Caribbean is widely acknowledged to suffer from a low-productivity trap, which slows economic growth. Improving access to credit should help the region escape this trap. Interventions aimed at increasing the degree of bank penetration and competition in financial markets should positively impact firms' access to credit and their productivity. From this point of view, the great heterogeneity in the region's financial markets means that there is a crucial space for intervention to increase productivity in many countries.

32. The project's assumption that national development banks can play an important role in filling the gap in financial inclusion is credible. In effect, these banks have a major role in promoting and expanding financial inclusion through three channels: (i) innovation in financial instruments and products (introduction of products or services to satisfy market demand for certain financial services); (ii) innovation in financial processes (introduction of new capacities, competencies and routines to improve efficiency usually related to technological improvements); and (iii) strengthening interconnectivity with the rest of the financial system, including commercial banks. Greater interconnectivity between national development banks and commercial banks can lead to broader financial inclusion by exploiting the complementarities and synergies between the two types of institution. Greater interconnectivity also permits financial instruments to be more specifically designed to manage different types of risk and financial processes to address the different needs of economic agents, in particular SMEs.

F1.4: The project's implicit theory of change —combining analysis and selection of best innovative practices— has been designed convincingly, with an important place afforded to knowledge distribution as the main outcome.

33. The project's objective is correctly defined as "to build capacity of development banks, and other stakeholders in the region regarding financial inclusion, and assist them in tailoring financial instruments to foster economic development, in particular regarding SMEs". The project aimed to analyse national development banking experiences from Brazil, Colombia, Ecuador and Mexico, initially, with the other four countries included in the following period. The cases of Brazil, Colombia and Mexico were considered very important since the outset, owing to their developed financial systems, including more developed and diverse financial instruments, and wide prior experience in developing banking. On the other hand, Ecuador could be a source case for contrasting experiences of larger countries with smaller ones. All these countries have important national development banking institutions, including BNDES in Brazil, NAFIN in Mexico, Bancoldex in Colombia and Banco del Estado in Ecuador, and financial inclusion has been an important policy objective for them. To achieve the project's objectives, the working hypothesis was to include and address the innovation in both financial products and financial processes as important channels for promoting financial

[10] See R. Ramalho and others, *Improving Access to Finance for SMEs: Opportunities through Credit Reporting, Secured Lending, and Insolvency Practices*, Washington, D.C., World Bank, 2018.

access and inclusiveness. Hence the objective and scope of the project were targeted on the need to promote development of a wider array of financial instruments that should permit development banks to play a more active and visible role in promoting financial inclusion, particularly focused on the SME sector. As beneficiaries, national development banks were supposed to gain knowledge thanks to the studies and receive training aimed at improving their capacity to design financial products tailored to foster SME development, and improve their financial processes to become more efficient and better interconnected with other financial actors, in particular commercial banks. The final expected results should have been SMEs receiving better access to financing to support their economic growth, allowing for more self-financing capacity in the future and then contributing to productive growth and job creation. Expanding and promoting the role of development banks is also part of the agenda proposed by the outcome document of the United Nations Conference on Sustainable Development (Rio+20), *The future we want*,[11] which recognizes the role of multilateral development banks in mobilizing resources for sustainable development.

34. The project design is based on the above-mentioned analysis and assumptions and builds a set of activities concentrated on studies and following distribution of knowledge as instruments to achieve the expected increase in availability of innovative financial tools targeting SMEs. The approach is not especially innovative as it follows a standard ECLAC modus operandi, whereby essential studies are used as a basis to develop the distribution of information together with policy advice, jointly with specific technical assistance: in the case of the present project, the innovation has been the link between financial inclusion and development banks. This has been a novelty much appreciated by the participants. The distribution of resources follows the same pattern, as it was concentrated in the budget lines “Consultants and expert groups”, i.e. the production of the studies, and “grant distribution”, i.e. support for the expenses of meeting organization. The overall logic and design of the activities are credible and supported by a basic but focused analysis of the problems.

F1.5: The definition of expected accomplishments in the project design is highly ambitious.

35. The only weakness is the definition of expected accomplishments and relative indicators: the expected accomplishments—1. Strengthen public financial policies to promote financial inclusion of small and medium enterprises (SMEs); 2. Improved financial instruments by Latin American and Caribbean development banking systems to mobilize resources for productive development— are correct but quite generic and very ambitious. This is especially true considering the related indicators: (I1) Increased use of financial processes and instruments by national development banks designed to foster financial inclusion of SMEs in line with ECLAC recommendations; (I2) Increased use of financial instruments tailored by development banks to the specific needs of SMEs to enhance their possibilities for growth and expansion. In effect, these demand not only the identification of innovative tools— something that supposedly the studies could have contributed and the seminars could have distributed— but also their implementation by development banks and use by SMEs. Besides the fact that there are no quantitative dimensions that could be used to pinpoint the level of success, there seems to be an overestimation of the capacity of the project’s instruments to affect as large a context as that relating to SME financial markets, where many factors and operators act in a complex network of relations, incentives and scopes. Moreover, real assessment of the results would need the collection of quantitative data in a standard format, which at present does not exist in the region. A less emphatic definition would probably have helped the final assessment of results.

[11] United Nations, *The future we want* (A/CONF.216/L.1), Rio de Janeiro, 19 June 2012.

EQ 2: To what extent have the project components been able to implement the expected activities and to achieve the expected outputs as outlined in the overall strategic documents?

F2.1: The main outputs of the project are the national studies and the final regional summary, which includes a selection of best practices: the analysis was used a basis for the distribution of knowledge and the creation of new spaces for discussion and exchange of know-how.

36. The main project activities implemented, vis-à-vis those planned, are presented in table 3 below.

Table 3
Main activities versus planned activities (according to the project design and extension)

Domain of activities	Planned activities	Implemented activities
A1 **Develop national studies and researches on the state of financial inclusion and on the role of development banks**	(A1.1) Preparation of national studies in at least four countries in the region (tentatively Brazil, Colombia, Ecuador, Mexico). The studies should provide an assessment of the state of financial inclusion of each country case through indicators that measure the basic aspects of financial inclusion including access (ability to use services and products through the formal financial system), usage (frequency of use of these products and services) and quality (through surveys when available). The studies should then identify, describe and analyse the instruments and processes that national development banks in these countries have at their disposal to promote financial inclusion in particular with regard to SMEs and how these can be improved. The studies should also provide evidence on the use and reach of these instruments and processes.	The project has attracted the interest of policymakers from different Latin American countries. As originally formulated the project focused on four countries (Brazil, Colombia, Ecuador, and Mexico). Three countries were added to the project in 2016 (Argentina, Costa Rica and Peru) and one in 2017 (Bolivia (Plurinational State of)); four additional national studies were also carried out under the project (Colombia, Ecuador, Mexico and Bolivia (Plurinational State of)) on specific instruments that development banks can use to foster financial inclusion. The eight national studies —prepared by external consultants— were completed in 2018 and published in the ECLAC *Financing for Development series*; they are available on project's website as well as on the new platform developed by the project.
	(A1.2) Convening of four two-day national seminars (analysing tentatively the cases of Brazil, Colombia, Ecuador, and Mexico) comprising 30 participants including national development bank officials from all around the country, as well as experts in the area of development banks and financial inclusion and SME representatives, to present and discuss the four case studies. The national seminars provide a venue to discuss and analyse the specificities, advantages and disadvantages of the different types of instruments and financial processes that the national development banks included in the study use for financial inclusion of SMEs and also examine operational and implementation-related issues. Finally, the national seminars provide a basis to identify lessons learned at the national level concerning the type of financial policies that best permit to promote financial inclusion of SMEs.	Workshops held: **Mexico:** Promoting Financial Inclusion via Development Banks' Innovation Policies, 4–5 July 2016 **Colombia:** Financial Inclusion of SMEs and Development Banks, 6 October 2016 **Ecuador:** Promoting Financial Inclusion via Development Banks' Innovation Policies, 25 October 2016 **Costa Rica:** Promoting Financial Inclusion via Development Bank Innovation Policies, 3–14 November 2017 **Brazil:** Financial Inclusion of Small Businesses, 21 November 2017 The inclusion of three more countries increased the number of national workshops organized under the project.

Domain of activities	Planned activities	Implemented activities
A2 **Develop regional studies and seminars to increase stakeholder participation and discussion**	(A2.1) Preparation of a comparative regional study of the four Latin American countries included in the project (Brazil, Colombia, Ecuador and Mexico). The study would focus on identifying, in the countries included in the project, a collection of best practices to foster financial inclusion, and financial processes to strengthen and widen the financial inclusion. This means identifying instruments and processes that include different types of lending, guarantee schemes, factoring, the expansion of development banks' financial networks, electronic instruments aimed at facilitating access to financial services, and other kinds of instruments and processes geared towards fostering financial inclusion for SMEs and households. The regional study would also explore the conditions under which these best practices could be replicated in other countries of the region.	Workshops/seminars held: **Mexico:** Financial Inclusion of SMEs in Latin America: Country Experiences and Development Bank Instruments, 6–7 April 2017 **Peru:** Promoting Financial Inclusion through Development Bank Innovation Policies, 6–17 August 2017 **Thailand:** Small and Medium Enterprises' Access to Finance and the Role of Development Banks in Asia and the Pacific and Latin America, in collaboration with the Economic and Social Commission for Asia and the Pacific (ESCAP), the Centre for Financial International Cooperation (CFIC) of the Republic of Korea, the Asian Development Bank Institute (ADBI), and the Alliance for Financial Inclusion (AFI), 27–28 September 2017 **Study tour:** Study tour for officials and policymakers from Latin America to the Small and Medium Enterprise Development Bank (SME Development Bank) and the Bank *for* Agriculture and Agricultural Cooperatives of Thailand. **Chile:** Promoting Financial Inclusion through Development Bank Innovation Policies, 18–19 October 2017
	(A2.2) Convening of a two-day regional workshop with the aim of presenting the regional study and focusing more intensely on the four project countries, Brazil, Colombia, Ecuador and Mexico, from a regional comparative perspective. The workshop will focus on the discussion of the toolkit and best practices identified in activity A2.1 and their applicability to different countries, contexts and circumstances.	The final workshop: **Chile:** Promoting Financial Inclusion through Development Bank Innovation Policies project results, 11–12 June 2018 The regional study with the summary of the project activities and recommendations was discussed at this seminar.
	(A2.3) Technical Assistance/advisory services to discuss and recommend measures to strengthen development banking institutions and the instrument tool kit for financial innovation for inclusion in selected Latin American countries.	Requests for technical assistance came from five institutions but due to budget constraints only two were implemented. Technical assistance was provided to BICE in Argentina and BDP in the Plurinational State of Bolivia. The technical assistance to BICE consisted in providing technical support to that entity in: (i) financial inclusion statistics, (ii) aspects related to credit access, (iii) differentiated regulatory treatment for development Banking, and (iv) design of special products to solve credit access difficulties in other Latin American countries. The technical assistance to BDP in the Plurinational State of Bolivia consisted in the drafting of a document on financial inclusion for Bolivia centred on indicators of financial access, indicators of financial use, a diagnostic

Domain of activities	Planned activities	Implemented activities
		and proposal of financial products and innovations required by cooperatives, productive associations and SMEs, and a financial inclusion strategy.
	(A.2.4) Follow-up and implementation technical workshop at the regional level. Convening of two-day workshop at the regional level with the aim of following up and discussing the different experiences relating to the implementation strategies of the instrument toolkit and their preliminary results, including the identification and analysis of successes, gaps and challenges posed by the different national experiences, contexts and strategies of implementation. The technical workshop includes practitioners from the financial sector, development banks, experts on financial inclusion issues and SME representatives.	A special workshop was organized to discuss further actions, especially the development of a platform. **Chile:** Regional Information System for financial inclusion instruments in Latin America, 31 May–1 June, 2018
	(A.2.5) Showcasing the project results including the identification of a collection of best practices at meetings on development banking and financial inclusion in order to promote the diffusion of the project to a wider audience. As a part of this effort of diffusion of the project and widening its reach, the project also includes showcasing the results of the projects in a webpage.	The project established a specific website, where not only the complete documents produced by the project are available but a large amount of other documents from different sources have been collected. The project was also showcased in two interviews provided to the National Enterprise Observatory (Secretariat of Economic Affairs of Mexico, 2017) and the business and finance magazine *Alto Nivel* also in Mexico; a keynote address at the Seventh Congress of Financial Research (IMEF, August 2017, Mexico), at the Latin American Studies Association in 2016, at a meeting of the World Savings and Retail Banking Institute/European Savings and Retail Banking Group (2018, Buenos Aires); at the international seminar on productive development, social justice and environmental sustainability (La Paz, Catholic University of Bolivia, 2018). Several articles were also written to showcase the project and its results, including in *Revista Coyuntura PyME, 56* (Bogotá, 2017); *ASOBANCA* (Ecuador, May 2018); Network of Financial Institutions for Development (Ecuador, 2018).
A3 (Outreach) **Consolidate data and information to increase availability and distribution of practices**	(A.2.7) Provide a detailed database of the current state of instruments used by development banks in the countries included in the project and countries that are not included in the project to promote financial inclusion.	The evidence on financial instruments was compiled to form a database of financial instruments that could be distributed to development banks. This was undertaken during the extension of the project. A document was prepared describing how to use the database to build a regional information system on instruments used by development banks.

Domain of activities	Planned activities	Implemented activities
	(A.2.8) Construction of a learning platform on the project's webpage.	During the extension of the project, a technological collaborative platform was set up in order to provide a forum for discussion among development bankers on the different issues, including instruments, pertaining to financial inclusion of SMEs. The practical implementation of this is under way with the assistance of the System of Development Banking (SBD) in Costa Rica and more specifically with the SBD Director of Digital Strategy.

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

F2.2: The management used the resources with satisfying efficiency.

37. The project budget was approved at the end of December 2014, so its actual implementation could start only in 2015, not in 2014 as planned in the project design. The delay in the initiation of the project, together with the process of selection of local consultants, caused some slowness in implementation in the first phase, although this was offset by the increased pace of activities in the following period.

38. The financial information available is too summarized to assess the real efficiency of budgeted resources. However, with reference to the consultancies, whose main outputs have been eight national studies, three case studies and a regional summary, it appears they have an average cost of between US$ 16,000 and US$ 18,000 per output. That is compatible with the quality and contents of the products, as the participants also confirmed; moreover, it includes the participation of the selected experts in the events and their collaboration in the selection of invitees. For the costs of the meetings, seminars and so forth (see box 1 for the full list of project events), considering the participant numbers taken from the lists received, a total presence may be estimated of around 800 persons/day, plus travel to Thailand; the cost per person/day appears to be around US$ 300—US$ 350. Although a bit on the high side, that is compatible with the quality of speakers and the contents of the events, as surmised from the agendas.

F2.3: The project has been successful in terms of the countries involved, the number of participants and the technical assistance provided.

39. The activities and results show that the project has been very successful: the number of beneficiary countries was twice the number originally planned, and the number of meetings and workshops was also higher. The overall number of event participants was quite large: more than 500. The increased availability of resources offers only a partial explanation for this: the main one is the management's capacity to use the resources efficiently to respond to real demand from the beneficiaries. This allowed a project that started as "supply driven" (i.e. offering the opportunity to receive focused technical assistance), to become substantially "demand driven", thanks to the management's capacity to identify real demand, then generate the interest of other countries in participating while also being able to negotiate the additional resources to respond to this increased demand for technical assistance and capacity-building and to consolidate the results.

40. In effect, ECLAC initially planned the implementation of the project for four South American countries (Brazil, Colombia, Ecuador, and Mexico). However, after the first meetings, interest on the part of other countries pushed ECLAC to expand the offer to them. It was extended first to another Central American country (Costa Rica) and then to other countries (Argentina, Peru, and the Plurinational State of Bolivia), for a total of eight participating countries. However, at the seminars and workshops, interested parties from other Latin American and Caribbean countries also participated, confirming the great interest in the contents and appreciation of the quality of ECLAC work. In effect, after the first seminars and national meetings, interest from development banks of other countries prompted ECLAC to offer the opportunity to more countries. Such was the case of Chile and the Plurinational State of Bolivia. Having attended the last seminar of the project in 2017, Bolivia formally requested to be included in the project and asked for technical assistance in the form of a study on the country to identify instruments to promote financial inclusion. This was done during the extension of the project (January–June 2018). So, the project was then extended to Argentina, Bolivia (Plurinational State of), Costa Rica and Peru to give a total of eight participating countries. As mentioned earlier, the increased demand was not foreseen in the basic project document defining activities and outputs for the initial countries. The management is to be complimented on managing increase the set of beneficiaries without increasing the resources, using a focused and consistent approach that has served to provide assistance and knowledge to a larger public. The increased demand for participation, as well as the demand for technical assistance, is a further indicator of the relevance of the project contents and objectives that confirms the capacity of ECLAC to offer the right answers to the region's issues.

41. In 2015 the preparation of national studies in four countries in the region (Brazil, Colombia, Ecuador and Mexico) was begun. These national studies were supposed to identify best practices and best financial instruments and processes to strengthen and deepen financial inclusion for smaller companies: this means identifying instruments and processes that include different types of lending, guarantee schemes, factoring, the expansion of development banks' financial networks, electronic instruments aimed at facilitating access to financial services, and other kinds of instruments and processes geared towards fostering financial inclusion for SMEs. The national study for Brazil was completed in 2017, owing in part to administrative issues and in part the uncertainty of the general political situation in the country. Due to availability of funding, three other country studies (Argentina, Costa Rica and Peru) were commissioned and completed. A total of eight countries provide a representative assessment of financial inclusion in Latin America.

42. The national studies were then presented in national workshops (see box 1). All studies provide an assessment of the state of financial inclusion in each country through indicators that measure its basic aspects: access (ability to use services and products through the formal financial system), usage (frequency of use of these products and services) and quality (through surveys when available). The studies then identify, describe and analyse the instruments and processes that national development banks in these countries have at their disposal to promote financial inclusion, particularly for SMEs, and how these instruments and processes can be improved. The studies also provide evidence on the use and scope of these instruments and processes. Moreover, they address possible avenues for complementarities with commercial banking and the development of new financial instruments (such as guarantee schemes, venture capital, securitization and factoring), and provide policy recommendations to strengthen the capacity of development banks. Also, during the seminars and workshops and in the regional document, advice was provided on how to view financial inclusion and the types of instruments for financial inclusion that had been successful. The regional report[12] produced by the project summarized the findings of the national studies and the discussions during the events. The document was presented at a regional seminar held in Santiago (18–19 October 2017), with over 40 participants from development banking institutions of the eight countries of the project.

[12] See J. Ferraz and L. Ramos, "Inclusión financiera para la inserción productiva de las empresas de menor tamaño en América Latina: innovaciones, factores determinantes y prácticas de las instituciones financieras de desarrollo", *Project Documents* (LC/TS.2018/22), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2018.

Box 1
List of the events organized by the project

Seminars and national workshops

Seminar: Promoting Financial Inclusion via Development Banks' Innovation Policies, Mexico, 4–5 July 2016

Technical Workshop: Financial Inclusion of SMEs and Development Banks, Colombia, 6 October 2016

Technical Workshop: Promoting Financial Inclusion via Development Banks' Innovation Policies, Ecuador, 25 October 2016

Seminar: Promoting Financial Inclusion via Development Bank Innovation Policies, Costa Rica, 13–14 November 2017

Seminar: Financial Inclusion of Small Businesses, Brazil, 21 November 2017

Seminars and regional workshops:

Seminar: Financial Inclusion of SMEs in Latin America: Country Experiences and Development Bank Instruments, Mexico, 6–7 April 2017

Seminar: Latin American and Caribbean Seminar Promoting Financial Inclusion though Development Bank Financial Innovation Policies, Peru, 16–17 August 2017

Technical Workshop: Small and Medium Enterprises' Access to Finance and the Role of Development Banks in Asia and the Pacific and Latin America, in collaboration with (ESCAP), the Centre for Financial International Cooperation (CFIC) of the Republic of Korea, the Asian Development Bank Institute (ADBI), and the Alliance for Financial Inclusion (AFI)), Thailand, 27–28 September 2017

Study tour: Study tour for officials and policymakers from Latin America to the Small and Medium Enterprise Development Bank (SME Bank) and the Bank for Agriculture and Agricultural Cooperatives of Thailand

Seminar: Promoting Financial Inclusion through Development Bank Innovation Policies, Chile, 18–19 October 2017

Technical Workshop: Regional Information System for financial inclusion instruments in Latin America, Chile, 31 May–1 June 2017

Seminar: Promoting Financial Inclusion through Development Bank Innovation Policies project results, 11–12 June 2018

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

43. Special mention is deserved by the international workshop[13] that took place on in Thailand (26–27 September 2017), in partnership with the Economic and Social Commission for Asia and the Pacific (ESCAP), the Centre for Financial International Cooperation (CFIC) of the Republic of Korea, the Asian Development Bank Institute (ADBI) and the Alliance for Financial Inclusion (AFI). The workshop was an opportunity to: (i) discuss regional experiences; (ii) identify common and country- and region-specific challenges to promote financial inclusion with a focus on SMEs; (iii) identify best practices from different countries in Latin America and the Caribbean and Asia-Pacific; and (iv) examine to what extent successful Asian national experiences could be replicated in Latin American and Caribbean countries. This workshop was geared towards national development bank officials, government officials, private banks and representatives of economic sectors, representatives of SMEs, and officials from regional and multilateral development banks. Participants came from the Latin American and Caribbean and Asian countries of the project, and other countries within the Asia-Pacific region, and benefited from the experiences of the country cases that were discussed. This activity also included a study tour with a visit by some of the Latin American and Caribbean participants to two Thai development banks (the Small and Medium Enterprise Development Bank (SME Bank) and the Bank of Agriculture and Agricultural Cooperatives (BAAC)). The activity was an opportunity to exchange views on development banking strategies for financial inclusion and extract lessons from the experiences presented.

[13] Workshop on Small and Medium Enterprises' Access to Finance and the Role of Development Banks in Asia and the Pacific and Latin America, Bangkok, Thailand, 27–28 September 2017.

F2.4: The focus of the new potential role for development banks was a key to the success of the project.

44. **The main issue on which the management focused from the start arose from the problem analysis: the weaknesses identified in the regional financial context, where the role of development banks in financial inclusion had not been not fully assessed.** The management made the correct decision from the outset: to define the need for high-quality studies in a domain (development banks/financial inclusion/SMEs) in which there was limited literature in the region. The quality of the studies was highly appreciated when they were presented during the events. This decision was important for two reasons: (i) it showed the opportunity offered by the project to a wider audience of potential beneficiary countries, and (ii) it showed that the project had the capacity to deliver, thereby building beneficiaries' trust and, consequently, their commitment.

45. **The quality of the studies is on average quite good, but sometimes they suffer from being overly "academic" —something that was commented on during the interviews and also in a few questionnaire responses.** In effect, the final beneficiaries —that is the officers at development banks, central banks and other public institutions, as well as at commercial banks— report that they appreciated the discussions during the seminars on specific cases and practices presented by the different interventions more than the studies, because they found the former more useful for building knowledge and exchanging experiences, potentially transformed in new work tools. **It is, however, well acknowledged that the studies offered a new point of view regarding the relation between development banks and financial inclusion, a specific area where literature was not extensive enough and the project's contribution was considered innovative.**

46. Two more areas of intervention further enlarged the scope of the project: **(i) three technical studies for the cases of Colombia, Ecuador and Mexico**[14] allowed deep-reaching analysis of instruments that could be part of a toolkit that development banks could use to improve financial inclusion were completed in 2017; **(ii) technical assistance offered on demand:** after their participation in project events, national institutions requested specific technical assistance from ECLAC: five requests for technical assistance from the Ministry of Production and Labour of Argentina, Banco de Tierra del Fuego (Argentina), Banco de Inversión y Comercio Exterior (BICE, Argentina), Universidad Metropolitana para la Educación y el Trabajo (UMET) and Banco de Desarrollo Productivo (BDP, Plurinational State of Bolivia). Due to budget constraints, only two demands have been met, those of BICE in Argentina and BDP in Plurinational State of Bolivia. The Ministry of Production and Labour of Argentina requested technical assistance from ECLAC on regulatory aspects, design and innovation, and the implementation of financial instruments in order to continue advancing towards greater financial inclusion of SMEs. The Ministry adopted the project's definition of financial inclusion. Banco de Inversión y Comercio Exterior (BICE) requested technical assistance with respect to the design of special products to solve credit access difficulties in other Latin American countries. The technical assistance provided to BICE consisted of providing technical support in: (i) financial inclusion statistics, (ii) aspects related to credit access, (iii) differentiated regulatory treatment for development banking, and (iv) design of special products to solve credit access difficulties in other Latin American countries. That assistance took the form of a report prepared by a local consultant to investigate, analyse and

[14] S. Neira, "Instrumentos para la inclusión financiera: el caso del Ecuador. Productos financieros desarrollados por la Corporación Financiera Nacional (CFN B.P.) destinados a las pequeñas y medianas empresas (pymes)", *Project Documents* (LC/TS.2017/113), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2017; R. Lecuona, "Instrumentos para la inclusión financiera: el caso de México. Casos exitosos de instrumentos de financiamiento para las pymes de la banca de desarrollo en México", *Project Documents* (LC/TS.2017/103), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2017; and L. Zuleta, "Instrumentos para la inclusión financiera: el caso de Colombia", *Project Documents* (LC/TS.2017/104), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2017.

formulate recommendations on financial inclusion policies applied by development banks.[15] The technical assistance to BDP in the Plurinational State of Bolivia consisted in the drafting of a document on financial inclusion for the country centred on indicators on financial access; indicators of financial use, diagnostic and proposal of financial products; innovations required by cooperatives, productive associations and SMEs; and a financial inclusion strategy.

F2.5: Events and publications consolidated the distribution of knowledge.

47. **Besides the studies, the other main area of activities has been the distribution of knowledge.** This was carried out through four main lines of action: **(i) the publication of the studies on the project website; (ii) the organization of events; (iii) the establishment of a database and platform; and (iv) the publication of a volume compiling all the studies plus other analysis on development banks and financial inclusion.**[16] The need for better data and information on financial inclusion in general and on specific instruments prompted the management to start a basic collection in an Excel file. However, this was not sufficiently user-friendly. The project website was quickly established and enriched with the outputs and a wide selection of other resources. The database was a collection of financial instruments placed at the disposal of development banks, as a first step towards the construction of a regional information system on development tools for financial inclusion. The purpose of building such a system of information is to record the main characteristics of existing products that development banks and development agencies provide for SMEs, including credits, guarantee funds, venture capital funds and business assistance programmes. However, the construction of the database proceeded rather slowly because: (i) it depended on the willingness of national development banks to convey information, which they were not always keen to do; (ii) the format was quite complicated to complete, according to the officers interviewed; (iii) the structure of the database was in a simple Excel format, which does not allow focused queries and is difficult to view: a few officers remarked that it was not user-friendly and so its usefulness was limited. In order to improve this instrument's appeal for potential beneficiaries, a new activity was launched in the last phase: it consisted in setting up an online platform for learning and collaboration as a means to facilitate the communication and exchange of experiences and best practices of key stakeholders in the promotion of financial inclusion of SMEs in Latin America and the Caribbean. The platform has several functionalities and objectives, including generating a network of experts working on the topic of the financial inclusion, a space for the dissemination of information and sharing news on the subject (publications, articles, documents, videos, links, events), by both ECLAC and all community members, and the possibility for participants to participate in forums for discussion of relevant topics. **The practical implementation of this activity is still ongoing, with the assistance of the System of Development Banking (SDB) in Costa Rica and more specifically with its Director of Digital Strategy. The beta version should be ready soon.**

EQ 3: To what extent are the project activities contributing to the design of improved/innovative financial practices for SMEs?

48. Project results according to available documentation are shown below in table 4:

[15] See J. Ferraz and L. Ramos, "Inclusión financiera para la inserción productiva de las empresas de menor tamaño en América Latina: innovaciones, factores determinantes y prácticas de las instituciones financieras de desarrollo", *Project Documents* (LC/TS.2018/22), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2018.

[16] See E. Pérez and D. Titelman (eds.), *La inclusión financiera para la inserción productiva y el papel de la banca de desarrollo*, ECLAC Books, No. 153 (LC/PUB.2018/18-P), Santiago, Economic Commission for Latin America and theCaribbean (ECLAC), 2018.

Table 4
Project results versus expected achievements (according to the project design and reports)

Main expected accomplishments (EA) (according to the project design)	**Specific results and indicators** (according to the project design)	**Results achieved** (according to the project documentation)
EA1. **Strengthen public financial policies to promote financial inclusion of small and medium enterprises (SMEs)**	Increased use of financial processes and instruments by national development banks designed to foster financial inclusion of SMEs in line with ECLAC recommendations. Reviewing of public policy proposals and practices in the use of financial processes and instruments stemming from national developing banks that have benefitted from the project. Reviewing of studies, reports, and other official analyses.	More than 500 participants have been registered in the different activities (meetings/workshops/seminars/trips) during the course of the project. According to the surveys taken during each event, more than 90% of the participants (mainly development bank officials from the 8 countries of the project, responsible for making recommendations to change financial policies in their respective institutions) attending the seminars/workshops, agreed that: (i) the topics presented and discussed at the workshop were useful/very useful for the work of the participant's institution to increase the use of financial processes and instruments; and (ii) the analyses and recommendations of the seminar were useful/very useful for the work of the participant in fostering the financial inclusion of SMEs. The Association of Private Banks of Ecuador (ASOBANCA) considered that the document on financial inclusion in Ecuador prepared under the project served as an input for the preparation of the Association's Risk Committee. The Peruvian bank AGROBANCO considered that the results of the project were very useful for the revision of its strategic framework and policies to increase the use of their financial processes and instruments. The System for Development Banking (SDB) of Costa Rica found that the project was useful for the evaluation of efforts made in Costa Rica with respect to the creation and functioning of SBD, its impact and its comparison with other experiences in the region. The project also helped to evaluate potential guidelines for SBD to increase the use of new financial processes. During the joint seminar in Peru organized with the Latin American Association of Development Financing Institutions (ALIDE), the Peruvian development bank COFIDE announced changes to its financial inclusion policy, based on ECLAC recommendations.

Main expected accomplishments (EA) (according to the project design)	**Specific results and indicators** (according to the project design)	**Results achieved** (according to the project documentation)
EA2. **Improved financial instruments in Latin American and Caribbean development banking systems to mobilize resources for productive development**	Increased use of financial instruments tailored by development banks to the specific needs of SMEs to enhance their possibilities for growth and expansion. Review of the type and purpose of instruments used by national development banks that have benefited from the project. Review of studies, reports and other official analyses.	The national and regional seminars discussed instruments for financial inclusion in detail. Several institutions, including development banking institutions, gave presentations on the type of instruments they are using. They also presented the type of instruments that are currently "under construction" to improve financial inclusion.
EA3. **Improved knowledge of the state and challenges of development banks' engagement with the financial inclusion of SMEs**	– The identification of best practices in terms of design and implementation of instruments to promote financial inclusion through development banks – Improvement of the capacity of development banks – Adoption of main policy guidelines proposed in the technical assistance provided	During the extension of the project, a technological collaborative platform was set up to provide a forum for discussion among development bankers on the different issues pertaining to financial inclusion of SMEs, including instruments.

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

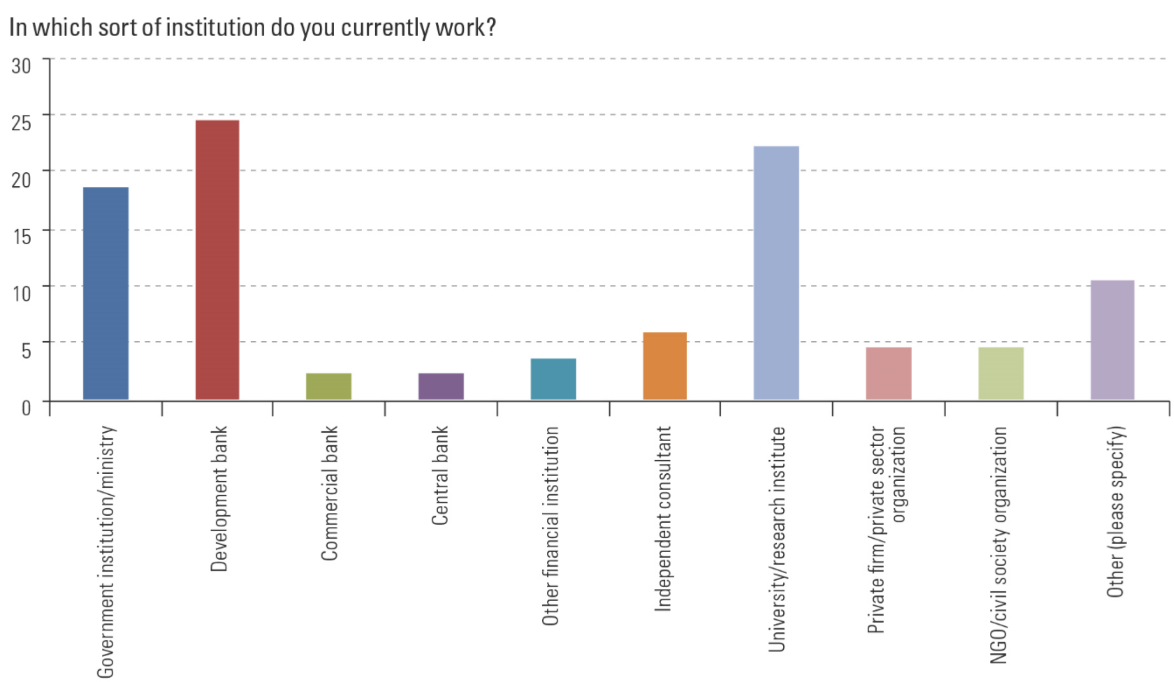
F3.1: Given that the assessment of expected results as defined in the project design was quite difficult, qualitative definitions have been preferred both for the project and by the evaluator.

49. **The stated expected results —as they appear in the official project design— are quite ambitious, as they demand not only the identification of innovative instruments but also their effective use by development banks as well as by final beneficiaries.** Moreover, the lack of any specific quantitative and/or qualitative definition make them too generic, on the one hand. On the other hand, they should have compelled the management and the stakeholders to collect final real data from beneficiaries. However, this has been acknowledged as a very difficult task in standard conditions, as the quality of statistics on SME financing in the region is considered insufficient, making it a virtually impossible task. In effect, the project management implicitly acknowledged this contradiction: **in the project reports, the expected accomplishments are analysed only by qualitative statements, by the appreciation statements received and by the requests for technical assistance**, which are not exactly the indicators set forth in the project design. However, the need for data collection has been acknowledged and partially incorporated into the final platform, which is still under construction: it should be nevertheless be remarked that data on financial inclusion are not available for every country and, as there are no common indicators shared by all dedicated organizations, they are quite difficult to consolidate and compare.

F3.2: The project activities and contents were well appreciated, thanks to the appropriate selection of participants (even though the number of potential final beneficiaries —SMEs— in attendance was quite small).

50. The beneficiaries of the project were defined mainly as officers from development banks, responsible for SME support, but also included officers form other national institutions (central banks especially, as well as commercial banks. **It was also requested that representatives of academia be present to provide some sort of "peer review" of the contents.** This is confirmed by analysis of participant lists (see figure 4): in effect, the groups most represented are development banks, local public institutions and universities. The selection of the participants from each country was defined together with the local institutions: analysis of the participant lists and the data from the questionnaire indicates that the selection was well made to allow for credible know-how transfer: officers, technically well prepared, working in the right institutional setting, with the task most suited to embed the new experiences. **However, participation by the supposed final beneficiaries —i.e. smaller companies— has been quite limited. This was also true of the other main actor in the financial environment, the private commercial banks. The existence of these gaps prevented the development of a complete picture of reactions and comments on the studies and proposals.**

Figure 4
Nature of participants (answers to questionnaire)
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC).

51. The appreciation of the quality of the project outputs is based on three sources: (a) the questionnaires completed at the end of each event; (b) the responses to the final questionnaire distributed during the present evaluation; (c) a survey conducted by the project management. Source (a) (see table 5) shows a substantial, ongoing positive reception of the project and its contents: over 90% of the participants attending the seminars, including development bank officials, agreed that in terms of financial processes or/and instruments/financial policies: (i) the topics presented and discussed at the workshop, as well as the studies carried out under the project were useful/very useful for the work of their institutions, and (ii) the analyses and recommendations presented at the seminars were useful/very useful for the work of their institutions.

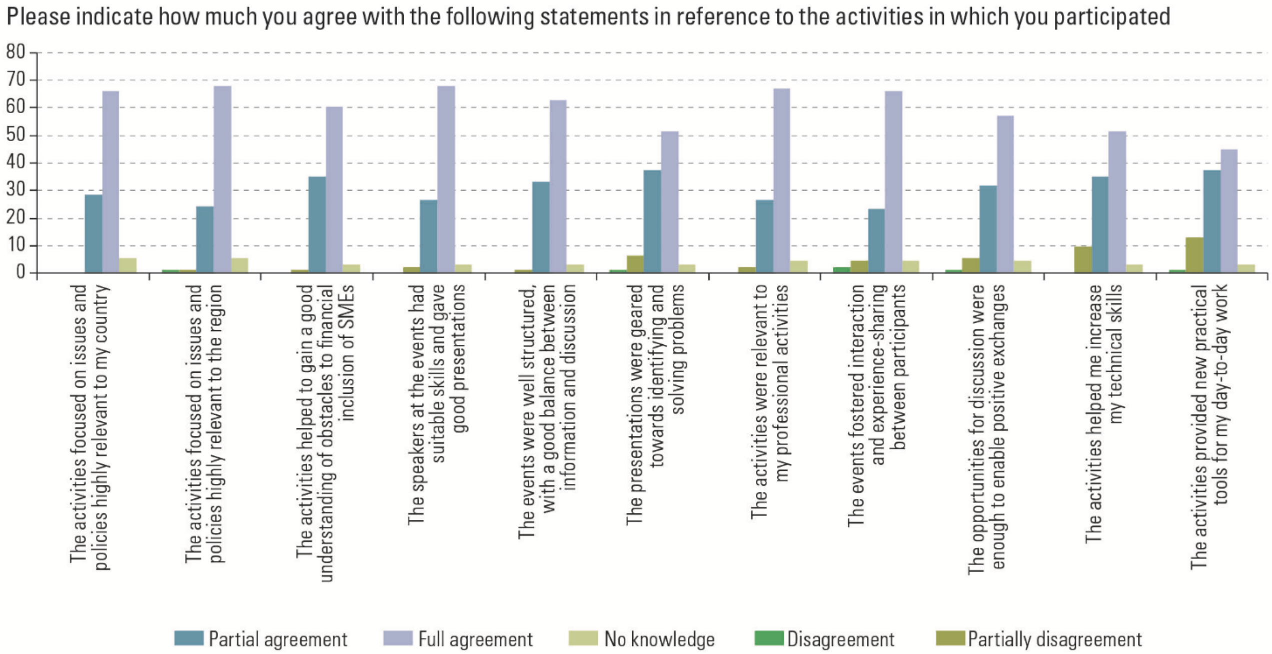
Table 5
Participants' comments from questionnaires at the end of the events (source a)
(Percentages of answers)

EVENT	OVERALL SCORE			CONTENTS		
	Excellent	Good	Sufficient	Excellent	Good	Sufficient
Workshop in Mexico, July 2016	45	55		50	50	
Workshop in Colombia, October 2016	50	50		45	55	
Workshop in Ecuador, October 2016	45	55		30	70	
Seminar in Mexico, April 2017	78	22		27	73	
Seminar in Peru, August 2017	NOT AVAILABLE					
Workshop in Thailand, September 2017	NOT AVAILABLE					
Study Tour in Thailand, September 2017	NOT AVAILABLE					
Seminar in Chile, October 2017	82	18		36	64	
Seminar in Costa Rica, November 2017	NOT AVAILABLE					
Seminar in Brazil, November 2017	NOT AVAILABLE					
Workshop in Chile, June 2018	80	20		50	50	
Seminar in Chile, June 2018	92	8		84	16	
AVERAGE OF RESULTS	**67**	**33**		**46**	**54**	

Source: Economic Commission for Latin America and the Caribbean (ECLAC).
Note: The percentage scores are calculated on the basis of the answers received, which are fewer than the total number of participants.

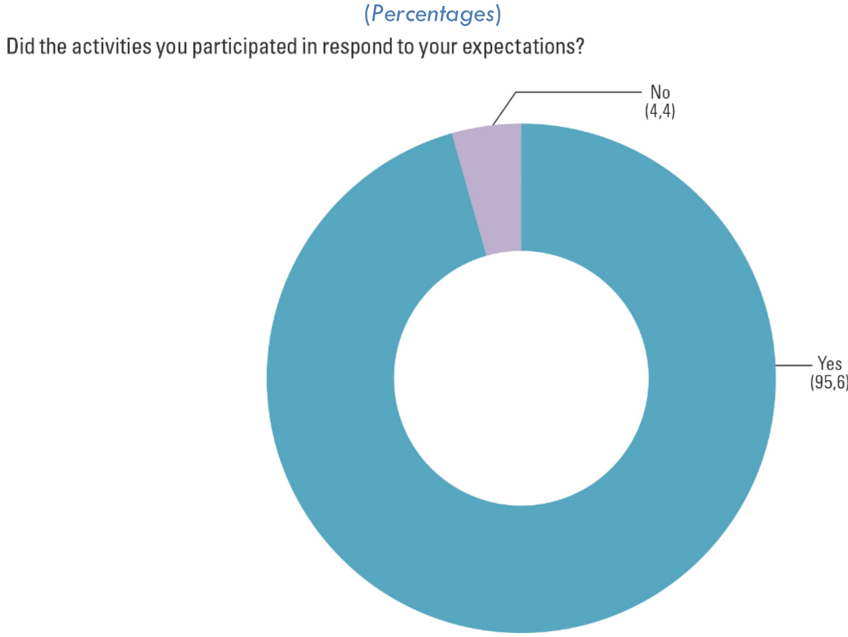
52. For source (b) (see figures 5 and 6), the contents and quality of the events corresponded to expectations and have been of great importance to the participants, with the highest appreciation for the relevance of the contents and hypothesis. The answers from the evaluation questionnaire confirm the overall appreciation of project events even though the caution expressed earlier regarding validity should be considered. The interviews and the answers to the questionnaire **strongly confirm awareness of the importance of analysing and promoting financial inclusion with the active participation of development banks.** The comments from the questionnaire confirm this appreciation: "Continue holding these events, which provide participants from each country with experiences that can be transformed into public policies"; "I would like to commend ECLAC on leading these agendas in benefit of SMEs in the region, projects like this definitely contribute to overcoming the challenges we face to ensure sustainable economic development in our territories". Some comments focused on the need for more practical contents: "fewer institutional presentations and more practical cases"; "the panel format could be changed to make it more dynamic, for example with discussions or answers to specific questions"; "I think the focus of the presentations could be improved. Perhaps the content could be filtered before the sessions"; "Include more smaller countries to enrich the dialogue". **This is the well-known trade-off between theory and practice: in the case of this project, ECLAC should be complimented for the capacity to offer solid answers to both, building policy suggestions on the basis of theoretical analysis, in keeping with the ECLAC core spirit.**

Figure 5
Participants comments (answers to questionnaire – source b)
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC).

Figure 6
Expectations (answers to questionnaire – source b)
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC).

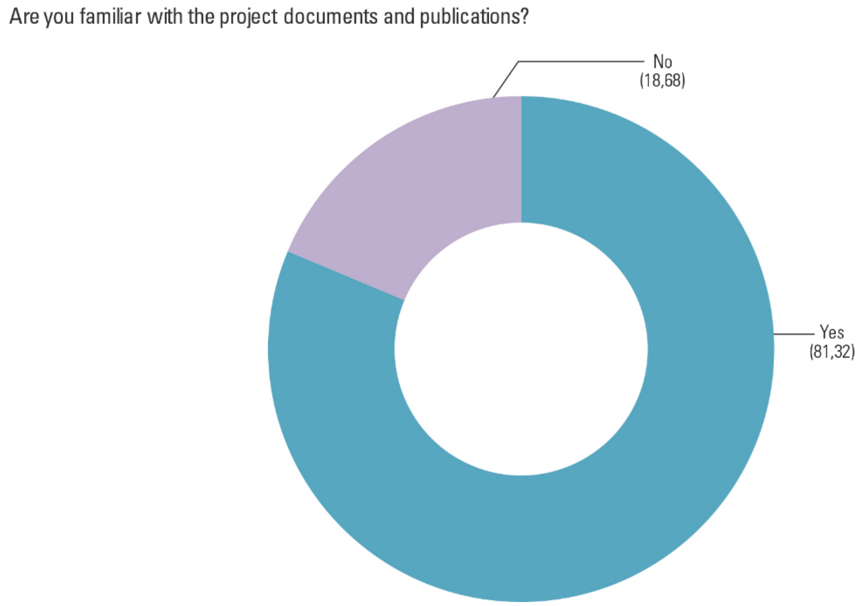
A survey (source c) sent by the management at the end of project to eight selected development bank officials from all the countries engaged in the project asked three questions: (i) whether the work and recommendations of ECLAC in the framework of the financial inclusion project were being used to stimulate increased use of financial instruments and processes to promote the financial inclusion of SMEs; (ii) whether the work and recommendations of ECLAC in the framework of the financial inclusion project were being used by development banks to stimulate more intensive use of financial instruments by development banks to meet the needs of SMEs in order to enhance their possibilities for growth and expansion; (iii) whether the measures considered by development banks to improve financial inclusion are in line with the recommendations of ECLAC for developing the incremental use of financial instruments/processes for SMEs. According to project documents, the answers confirmed the positive assessments coming from the other sources with regard to three questions asked.

53. To complete the analysis of beneficiaries' responses, some of the comments received during the interviews and questionnaire warrant attention: "It is clear to me that the project brought together officials and specialists in the subject from the countries, opened up a space for analysis and discussion and built a platform for follow-up, which is under implementation, and helped to structure the mechanisms for collaboration and monitoring of the latest advances in inclusion issues. ECLAC support and maintenance of the platform will be vital and a way to realize the impact of the project"; "The platform has great potential. More than specific content, I would look for references to databases and specialized studies. The forums are also a great help, both the face-to-face and online ones"; "By way of recommendation, it would be interesting to link a broader range of experiences/institutions in the analyses of financial inclusion; we definitely have to view these agendas as a component of productive inclusion. With this vision, it is important to broaden the scope of the analysis and explore more deeply the relationship with development agencies"; "The information has been a bit dispersed. It could have a communications centre more geared towards the project website, to achieve greater visibility and impact"; "It must be borne in mind that the project is too recent for new projects or processes to have begun after it that could be used to evaluate the real impact. The most I would expect is to have feedback on processes under way, since many development bank authorities and technical staff had the opportunity to see how it is done and how it's done in other experiences, with possibilities of contacts during and after the workshops"; "Develop an indicator of inclusiveness and a methodology to measure the impact of inclusion measures"; "A summary with key points from all the events/documents could help the participants to improve their understanding of the context, of the progress in such a complex subject"; "It is necessary to disseminate successful outcomes and failures in the issue of development banking in the countries involved in the study, in order to capitalize on the results". **Evident here are a few key points that are relevant for the evaluation and for ECLAC: (a) confirmation of the positive reception of the contents and the methodology and their quality; (b) appreciation of the opportunity to create new spaces for exchange of experiences between institutions with different histories; (c) the need to pay more attention to the operational exigencies of "practitioners" in terms of concrete and doable practices; (d) the importance of common indicators as basic instruments for assessing results, establishing benchmarks and developing comparisons: this is crucial for extracting "best practices"; (e) the possibilities offered by the platform, along with the related need to increase user friendliness and to present quality contents; (f) the demand to increase the number of beneficiary countries, especially smaller ones.**

F3.3: Knowledge of the project's output is satisfactory: the combination of the published outputs and the participation in the events contributed to enriching the capacities of development bank officers.

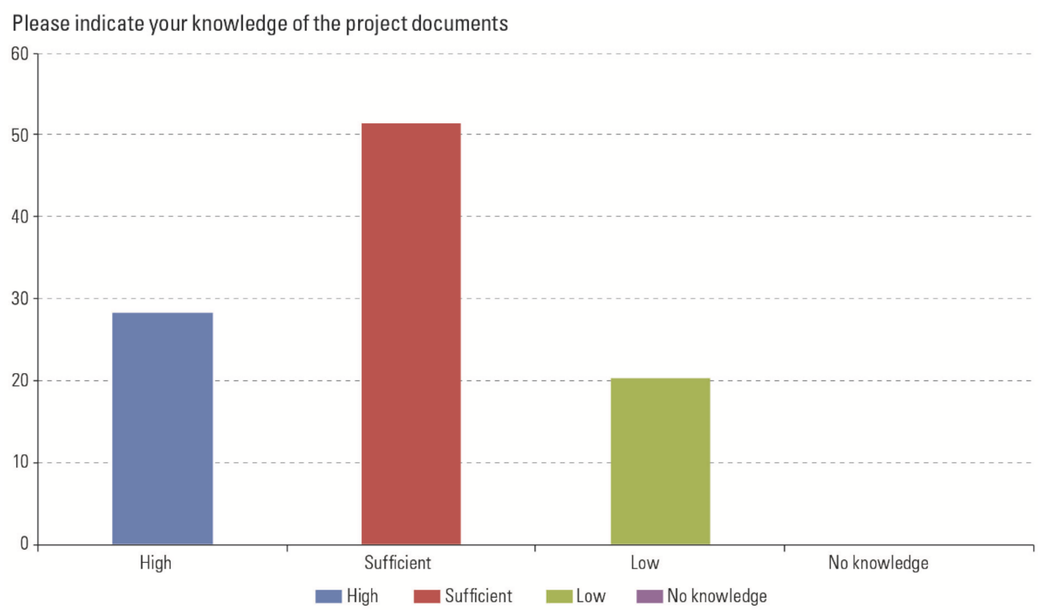
54. The knowledge of the documents produced by the project is quite broad (see figures 7 and 8). Although it might have been expected that all the participants in the project events would know about them (which the questionnaire responses do not confirm), in fact 20% say that they did not know of the existence of project documents).

Figure 7
Existence of project documents
(*Percentages*)



Source: Economic Commission for Latin America and the Caribbean (ECLAC).

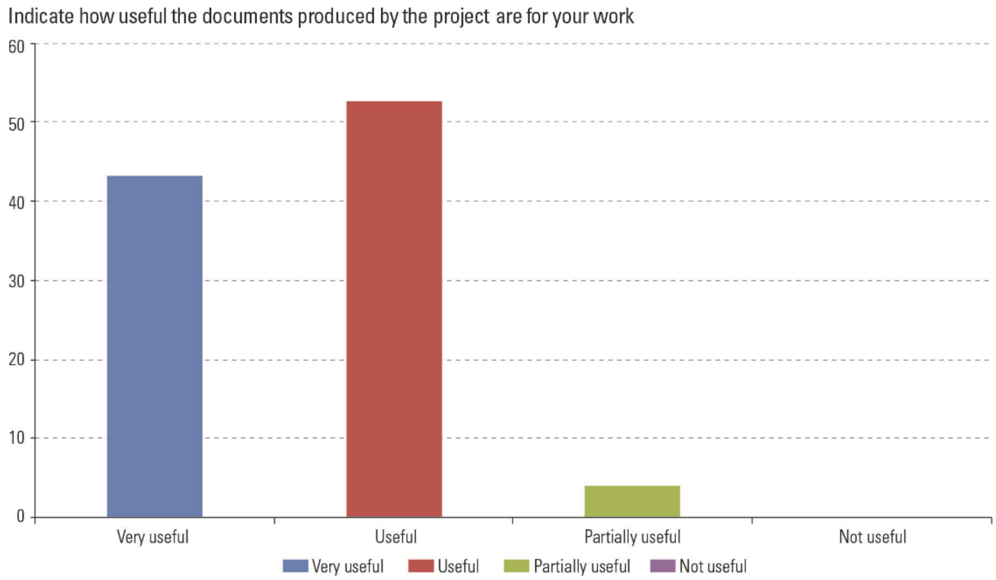
Figure 8
Knowledge of project documents
(*Percentages*)



Source: Economic Commission for Latin America and the Caribbean (ECLAC).

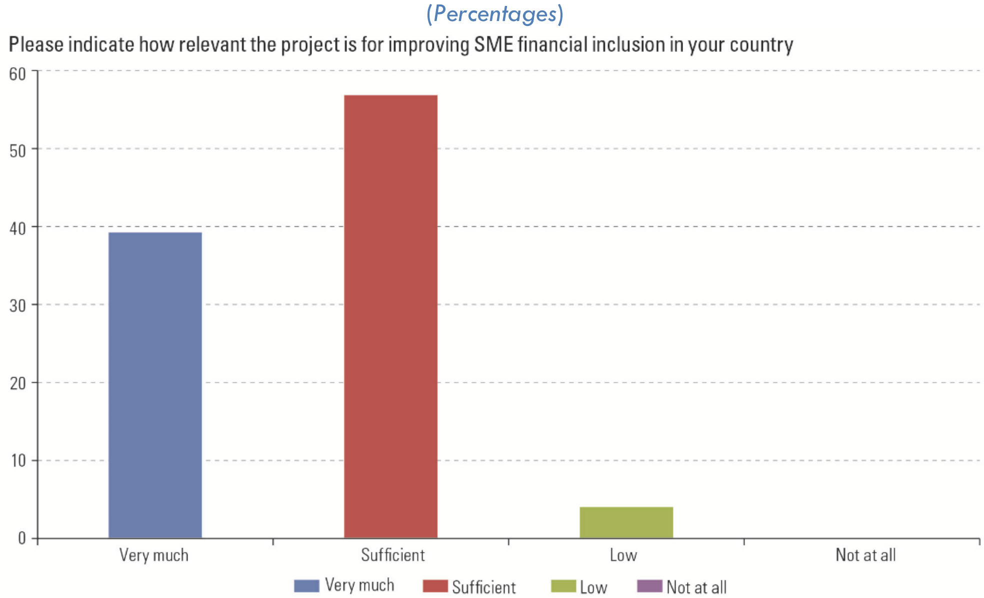
55. Besides the appreciation of the contents, the acknowledgement of the potential impact on national policies is notable (see figures 9 and 10).

Figure 9
Use of project materials and knowledge (answers to questionnaire)
(*Percentages*)



Source: Economic Commission for Latin America and the Caribbean (ECLAC).

Figure 10
Relevance of project documents (answers to questionnaire)
(*Percentages*)



Source: Economic Commission for Latin America and the Caribbean (ECLAC).

As officers from development banks and other institutions were the largest category of participants, it may be assumed that the answers refer to the impact on their daily work. The statements collected during the project events by the project management[17] —when national institutions were requested

[17] See the comments compiled in Economic Commission for Latin America and the Caribbean (ECLAC), "*Encuestas finales después de los eventos*", Santiago, 2018, unpublished.

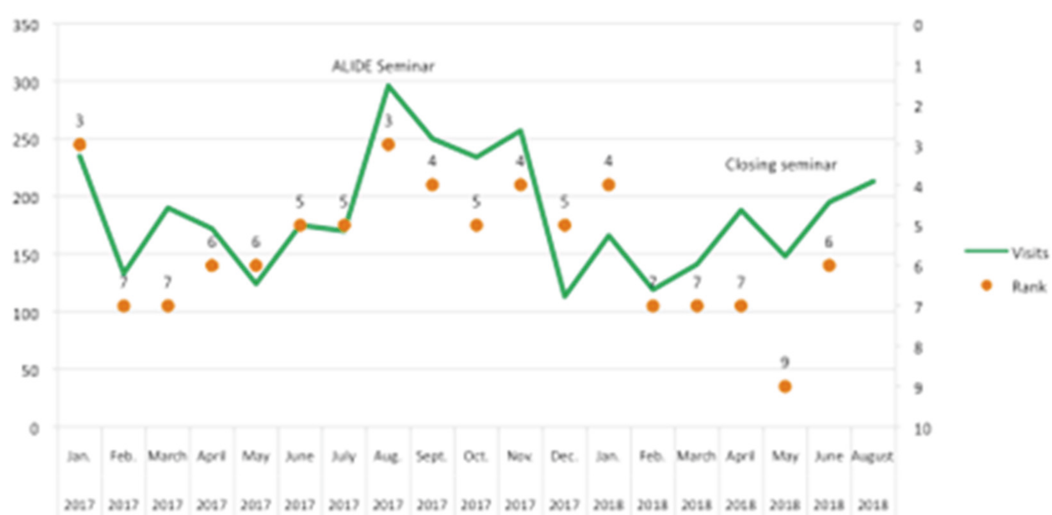
to do a presentation on the activities and achievements— show **the solid acknowledgement of the relevance of the project approach, especially in its capacities to innovate with regard to regulations and to improve the future structure and management of development banks.**

56. Multiple direct comments from beneficiary institutions have confirm this appreciation; in December 2017, ECLAC received a letter from Agrobanco (Peru), indicating that the results of the project had been very useful for the revision of the strategic framework and policies for financial inclusion. Another communication was received from the System of Development Banking of Costa Rica, indicating that the project had been useful for the evaluation of the functioning of the System from an international perspective. A letter received from ASOBANCA in Ecuador said that the project had served as input for enhancing existing instruments for financial inclusion and for introducing new ones. Moreover, the requests for technical assistance received in January 2018 from countries outside the project —to improve their respective banks' instruments to foster financial inclusion— demonstrate the increased appeal of the project actions.

F3.4: The online tools are used by a select public; however, the interaction —especially with the platform— still did not form part of the standard behaviours of beneficiaries.

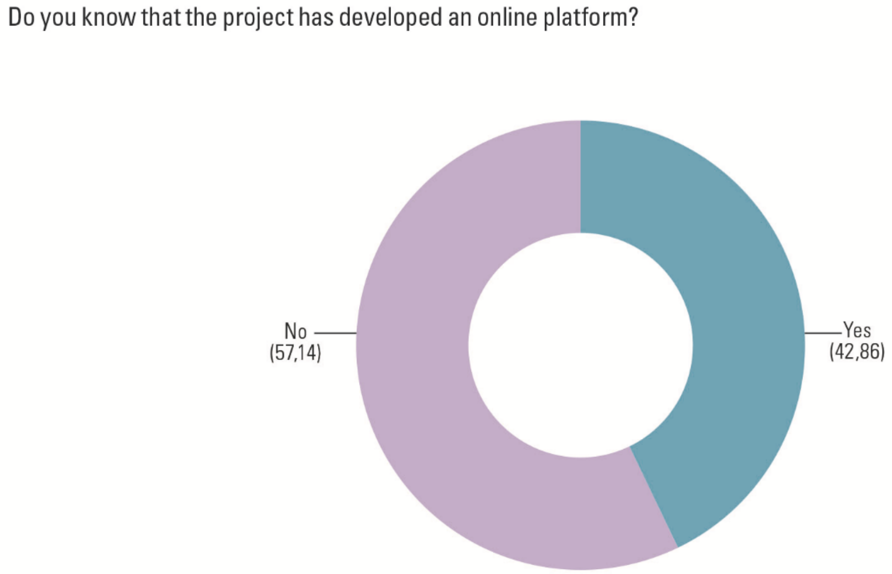
57. Analysis of the contacts with the database (figure 11) shows a steady increase in hits since the start with a stable number of around 250 per month. Although the overall amount is not large, because they concern a very specialized topic, the tools interest and affect only the officers and policymakers really involved in financial inclusion management and decision-making. The number of hits is expected to increase in the future, however: to achieve this ECLAC should be more active in indexing contents and data. However, the answers to the questionnaire presented a less positive situation: only 57% of the participants (figure 12) were aware of the existence of the platform, and very few visit the site (figure 13): this confirms the need to increase the appeal of the site and the platform. The database and the platform, which were supposed to be an essential part of increasing awareness and knowledge distribution, appear to need some time and refinements to be fully exploitable.

Figure 11
Hits on project website



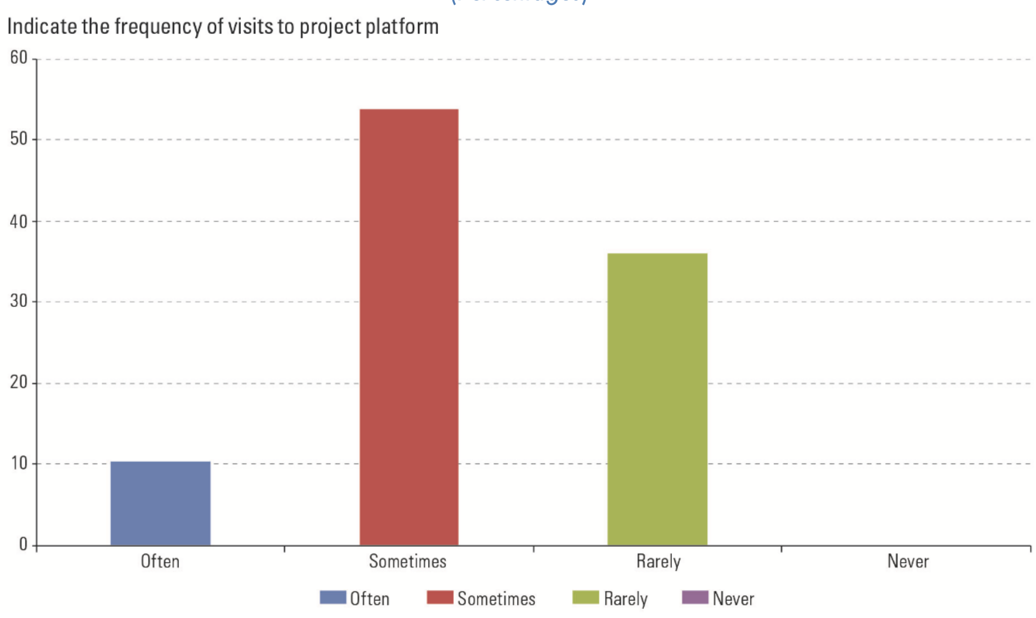
Source: Economic Commission for Latin America and the Caribbean (ECLAC).

Figure 12
Knowledge of the project platform (answers to questionnaire)
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC).

Figure 13
Visits to project platform (answers to questionnaire)
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC).

F3.5: The studies focused on innovative analysis for SMEs that not only increased awareness but also built the basis for further development of more adapted tools.

58. **The studies carried out under the project focused on some important issues that contributed to increasing awareness and knowledge. The national cases analysed allowed better understanding that financial inclusion is not an issue that should be analysed only on the supply side.** In fact, the project studies remarked the high proportion of SMEs reporting that they do not have external financing needs (that is, they finance investment with retained earnings and other sources). This evidence is compatible with the fact that companies tend to finance themselves internally. The empirical evidence, which affords importance to demand, contradicts somewhat the hypotheses in the literature with respect to financial inclusion, understood as access to the financial system (i.e. bankarization). The absence or lack of financial inclusion is compatible with a lack of demand (excess supply of credit that banks would be willing to lend, if there was sufficient demand). The analysis must therefore consider what factors explain this lack of demand. The following are some factors that have been identified in the national workshops on financial inclusion of SMEs, within the ECLAC project, and in subsequent discussions:

- Costs from the entrepreneur's point of view: transition from informality to formality; change of legal status (natural person to legal entity); fixed costs that are independent of the scale of production.
- Asymmetric expectations: lenders and borrowers may evaluate the information available in a different way, even if they have the same preferences regarding risk and have access to the same information.
- The perception of the financial system: distrust of the financial sector. This may be partially influenced by the regulatory infrastructure of client protection, the lack of financial education and the execution of contracts.
- The business culture: the business culture in Latin America and the Caribbean is not necessarily pro-risk. The objectives of SMEs are not oriented towards becoming larger companies. The business culture may also include the type of relationship that the SME (or its representative) has with the bank.
- Limited capacity to demonstrate solid and credible business/investment plans to banks.
- Ability to evaluate financial offers: low demand for products due to lack of knowledge of financial instruments and their benefits.
- Lack of identification of financial products: SMEs need products adapted to their profile and timeframe of operations, considering the limited available assets.

59. Moreover, it emerges from the analysis of the case studies presented at project events that SMEs' demand for financing (and their financial management capacity) is influenced to a large extent by their business models, their area of business and their high sensitivity to the economic cycle. At the same time, the management capacity and the profile of the financing demand depend on two factors: (i) the timeframe and volatility of the operations, which determine the type of financing required, and (ii) the assets of the SMEs, which determine the availability of guarantees and the possibility of offering them to third parties. Therefore, if the terms are short and the changes are frequent, volatility and risks are greater, which negatively influences credit conditions. Regarding guarantees, SMEs have limited assets to offer. These two factors restrict access to financing for this segment of the business sector. These conclusions are important to shape the instruments most suitable for the particular characteristics of SME demand and suggesting to financial institutions how to adapt their financing offer profile.

F3.6: New spaces promoted discussions and exchange of experiences; the need for more detailed data on financial inclusion emerged.

60. The project implementation made it possible to strengthen horizontal cooperation, especially during the events, where the sharing of new ideas was debated around the tables with all participants on the same level: this was especially relevant during the seminars, where the participants came from different categories and countries (central banks, ministries, academics, consultants, private sector representatives, etc). These collaborative moments promoted the creation of new skills and positive models through the sharing of best practices and experiences in order to develop regional partnerships. It has been important to see the most advanced countries keen to offer their experience to the others. It should be remarked that this happened because there was an "institutional space" (that is, the project and the regional meetings) that made it possible. It is evident, then, that the consolidation of the space is an essential condition to further horizontal cooperation and then promote the exchange of best practices. **The events were also supposed to be a space to develop some direct inter-country cooperation and exchange: this has been widely acknowledged by participants in their free comments**, with the caveat that each country has different ways of working, as well as different levels of commitment and institutional and technical capacities, such that **the transfer of knowledge was not immediate: further efforts should be made in the future to increase this exchange.**

61. It is relevant that one of **the unexpected outcomes of the process has been the increased awareness that the collection of specific data on financial inclusion is essential for the correct and efficient design and management of specific policies.** It is hoped that this new awareness can lead to a **new well-established and institutionalized statistical procedure. This could be an area where ECLAC support could produce good practices from past experience and the lessons learned from other countries.** It should be stressed that the institutionalization of specific suggestions is a condition for any type of sustainability and should thus be followed extremely carefully. One more critical constraint is the real political willingness to use indicators: politicians are known to refrain from attaching specific quantified objectives to strategies and policies, as the risk of non-achievement could be then imputed to them. The use of quantified indicators for financial inclusion could have the same risks: it would be excellent to have a well-performing instrument, but there could be some reluctance to apply it in the real world in case the results do not fit the expectations. **Moreover, in a number of countries the project provided the push for a reshaping of inter-institutional relations, in order to structure the definition of policies/instruments and data collection processes in a more organized form.**[18]

EQ 4: To what extent will the level of local ownership, absorption/implementation capacity allow for continuity of project results towards increased availability of financial products for SMEs after the ECLAC funding is completed?

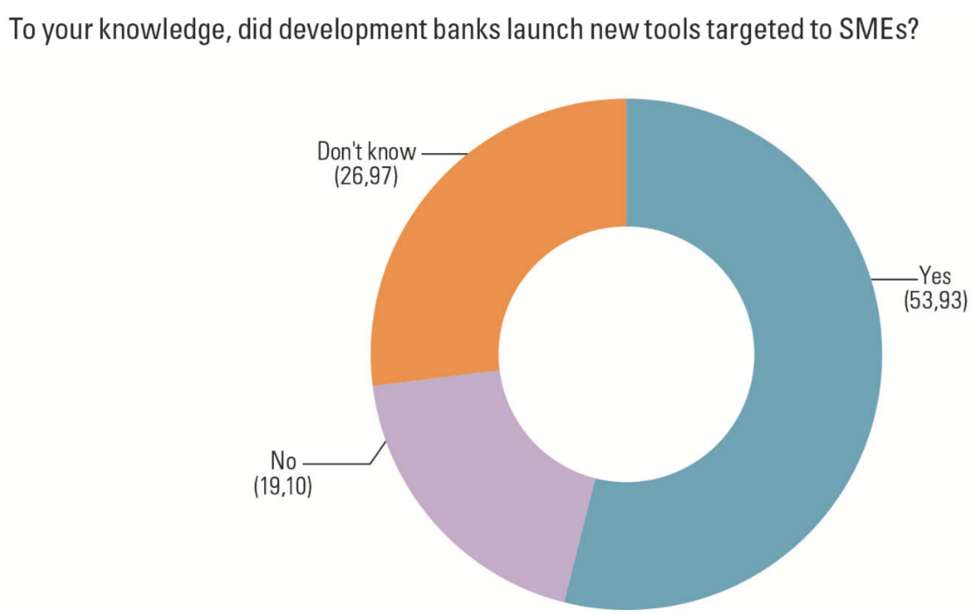
F4.1: While acknowledging the importance of innovative practices, the need to embed these into an institutionalization process emerged as common necessary tool to support sustainability together with further analysis of the risks.

[18] Officers interviewed from the Brazilian Micro and Small Business Support Service (SEBRAE) and the National Bank for Economic and Social Development (BNDES) confirmed that the project events enabled the two organizations to share ideas and policies in a more productive way. The same has been confirmed for Costa Rica between the central bank and the System of Development Banking.

62. The great success of the project in terms of participation and appreciation of the contents and know-how should be used to pave the way for the consolidation of the practices identified as most promising and effective. However, considering the heterogeneity of countries with diversified histories/regulations/experiences, customized approaches appear to be essential, even though this will probably complicate the capacity to consolidate data and then offer opportunities for comparisons and further analysis of best practices. **According to the interviewees, to transform best practices into real and usable instruments, an institutionalization process needs to be built whereby practices are embedded in national processes. This can be helped by specialized and customized assistance to define in each country the needs, the objectives, resources and procedures for building some sort of institutionalized form as a condition for the continuation of the practices.**

63. Bearing in mind the heterogeneity of SMEs, the financial instruments presented by the development banks should be adapted to the type of company and its scale of production, the life cycle of the companies and their risk structures. As can be seen from the national studies of Latin American countries carried out by ECLAC,[19] some of the financial instruments used by banks for SMEs in the region have been designed in a rather static manner; that is, without considering the dynamics necessary to respond to the changing financing needs of the different companies over time.

Figure 14
Launch of new tools for SMEs
(*Percentages*)



Source: Economic Commission for Latin America and the Caribbean (ECLAC).

64. **There is a real risk of the experience remaining a one-time effort (at least for some countries). As one evaluator interviewed said: the institutional problems need to be addressed, as financial inclusion issues must be debated at multiple levels; the collection of data on the outcomes of practices also needs inter-institutional collaboration, as data sources are multiple and not always keen to collaborate in absence of a formal mandate.** Moreover, the situation appears to be shifting, as the answers to a specific question show (see figure 14 above): there are evidently

[19] See the national studies produced under the project related to: Argentina, Brazil, Colombia, Costa Rica, Ecuador, Mexico, Peru and the Plurinational State of Bolivia.

new developments —at least in a number of countries— that show that **more attention is being paid to financial inclusion and development banks are launching new tools. This means that the potential needs for technical assistance are also increasing, opening new spaces for ECLAC interventions**.

65. A few main issues regarding the sustainability of a process towards increased financial inclusion warrant mention in view of future developments: (a) the trade-off between financial stability and growth and the use of new tools that could increase development banks' engagement with "riskier" clients, (b) the collection of increasingly available data and information that should be used to balance information asymmetry; (c) the need for institutionalization of financial inclusion objectives with a specific role for development banks; (d) the potentially high impact of guarantee schemes associated with State support; (e) the decisive importance of financial education to increase financial inclusion at all levels **(see annex C for more detailed comments on this very important issue).**

66. Levels of financial and economic literacy in the region are very low. Most studies show the importance of taking into consideration the multidimensional nature of financial inclusion in order to understand the specific characteristics of the region and its needs; using this information as a basis is essential for designing pro-inclusion policies. All the dimensions should be included in an overall strategy, instead of being considered separate goals. For instance, financial education and consumer protection policies, as well as those for regulating and supervising financial entities and instruments, can promote trust in formal financial institutions. It should be recalled that lack of trust in such institutions is one of the main reasons for the lack of participation in the formal financial sector. Financial education appears to be essential to consolidate the use and distribution of innovative tools. Despite the region's enormous diversity, some common characteristics stand out. Brazil, Colombia, El Salvador and Mexico have designed and are implementing national financial education strategies. Other countries have some of the conditions in place for developing a strategy, including collaboration of different kinds with other public institutions. In general, leading the development of these national strategies are, in order of significance, central banks, superintendancies, ministries of education and finance, deposit insurance companies and other government agencies. These national strategies generally form part of broader schemes aimed at financially empowering consumers through access to financial services and financial consumer protection, among others. This analysis shows that it is essential to develop actions aimed at: (a) increasing national and regional cooperation in these programmes, (b) developing tools to assess real results, (c) developing financial education programmes focused on different segments of the population that consider their specific requirements, such as the population excluded from the financial sector or the rural population.

F4.2: The project promoted actions to facilitate sustainability based on a common information system and on the wide publication of project outputs: however, it is too early to assess capacity of these as the information system is still under development and the book has only recently been published.

67. **Some of the activities carried out towards the end of the project have been geared towards improving the conditions for sustainability of project outcomes: they included the creation of a system of information on development bank instruments and the creation of an online learning and communication platform. The purpose of the system of information on development bank instruments is to record the main characteristics of existing products, in particular for SMEs**, including credits, guarantee funds, venture capital funds and business assistance programmes. Its usefulness will be both on the supply side, as financial institutions, development banks, private banks and governments will be able to compare their products nationally and internationally, and on the demand side, where entrepreneurs and MSMEs will be looking for the financial options best suited to them. **Both the system of information on development bank instruments and the online learning platform are currently under development.** There are still some issues to be defined to ensure the workability of both products. Both products are being developed with the advice and cooperation of the System of Development Banking in Costa Rica, which ensures a direct line of communication between ECLAC and a development bank.

68. **Another action in the same direction and in line with typical ECLAC interventions is the publication, in early November 2018, of a book on financial inclusion for productive integration and the role of development banks,[20] prepared on the basis of the various project activities.** The book is divided into four parts (financial inclusion and productive integration; financial inclusion, innovation and development banks; and comparative aspects of financial inclusion in Latin America; and conclusions and final reflections) with 12 chapters overall.

EQ 5: How well have the project activities been coordinated with and complemented other ECLAC actions, the actions of other United Nations agencies, and those of other development partners, in order to increase aid effectiveness?

F5.1: The search for coordination and synergies with other ECLAC programmes and other international agencies has been a constant concern of the management.

69. The search for coordination and synergies with other ECLAC programmes and other international agencies has been a constant concern of the management, on the basis that this approach would enlarge the set of direct beneficiaries and consolidate the message. Since the design stage, the project referred to the involvement of other ECLAC divisions and identified the future programmes most open to coordination and collaboration. However, the project reports —the only available sources of information in this respect— do not offer specific examples.

70. Collaboration with other institutions is better documented. Of special note is the seminar organized in Thailand, in partnership with the Economic Commission for East Asia and the Pacific (ESCAP), the Centre for Financial International Cooperation (CFIC) of the Republic of Korea, the Asian Development Bank Institute (ADBI), and the Alliance for Financial Inclusion (AFI). The seminar also included a study tour for officials and policymakers from Latin America to the Small and Medium Enterprise Development Bank (SME Bank) and the Bank of Agriculture and Agricultural Cooperatives of Thailand. The objective of this workshop was to discuss challenges and tools to enhance access to finance by SMEs in Asia and the Pacific and Latin America. The importance of enhancing access of SMEs to financial services was emphasized at the Fourth High-level Dialogue on Financing for Development in Asia and the Pacific organized by ESCAP in April 2017. In addition, the promotion of financial inclusion is one of the areas for deepening regional cooperation in the regional road map for implementing the 2030 Agenda for Sustainable Development in Asia and the Pacific adopted by ESCAP member States in May 2017. The workshop focused both on market-based approaches and on the role of national development banks, and it discussed ways to improve countries' lending infrastructure and financial regulation, as well as opportunities and challenges arising from the rapid expansion of fintechs. Recommendations arising from the workshop should provide guidance to countries in Asia and the Pacific and Latin America on strategies to enhance SME financing while ensuring financial and fiscal sustainability. The workshop identified needs and areas for furthering regional cooperation both in Asia and the Pacific and in Latin America to support developing countries in implementing effective policies and reforms to enhance the financial inclusion of SMEs. It brought together government officials, practitioners from the private sector and from national and regional development banks, and evaluators from both Asia and the Pacific and Latin America. Under the ECLAC project a short presentation and panel discussions were held to discuss the state of the art and best practices on SME financing in Asia and the Pacific and Latin America.

[20] E. Pérez Caldentey and D. Titelman (eds.), *La inclusión financiera para la inserción productiva y el papel de la banca de desarrollo*, ECLAC Books, No. 153 (LC/PUB.2018/18-P), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2018.

F5.2: The project's achievements have been widely distributed in many regional and international events, with a large positive impact on the ECLAC image.

71. **The project management had the opportunity to present the results of their efforts in many regional and international events, where the quantity and the quality of the outcomes, as well as the modalities of the activities, were appreciated, with a large positive impact on the ECLAC image.** It may be mentioned that **the seminar in Peru was organized in partnership with the Latin American Association of Development Financing Institutions (ALIDE)**, the international organization that represents Latin American and Caribbean development banking.

72. The project was also showcased in two interviews provided by the Secretariat of Economy of Mexico (2017) to the National Entrepreneur Observatory (ONE) and to the business and finance magazine *Alto Nivel*. The project management has given many keynote addresses: one delivered by invitation at the Seventh Congress of Financial Research (IMEF, August 2017, Mexico,) one at the Latin American Studies Association 2016, one at a meeting of the World Savings and Retail Banking Institute/European Savings and Retail Banking Group (2018, Buenos Aires); one at the international seminar on productive development, social justice and environmental sustainability (La Paz, Catholic University of Bolivia, 2018). Several articles were also written to showcase the project and its results, including in *Revista Coyuntura Pyme*, No. 56 (Bogotá, 2017); the Association of Private Banks of Ecuador (ASOBANCA) (Ecuador, May 2018); and the Network of Financial Institutions for Development (Ecuador, 2018). The consultants, especially in Argentina and Mexico, also participated in several initiatives to publicize the project's activities and results.

73. The project design simply mentioned the need for adequate visibility and suggested the preparation of ad hoc instruments. Even without a proper communication strategy, the project activities and outcomes enjoyed broad attention from local media, which increased the message's outreach. The management used the standard tools to increase visibility, with satisfactory results. Once again, the wide presence of project actions in different environments and events confirmed, on one hand, the relevance of the contents and the approach and, on the other hand, the quality of the outputs.

EQ 6: To what extent did the project activities and outcomes develop and consolidate the role of ECLAC as a main actor in promoting inclusive, sustainable development through SME financial inclusion with integration of women and young people, respect for environmental constraints and support of the rule of law?

F6.1: The project contributes to strengthening the image of ECLAC as an institution able to offer credible services and assistance to Latin American and Caribbean organizations and institutions at different levels.

74. From the four countries originally planned in the project document, the project extended to eight: the project management has been constantly willing and has made constant efforts to increase the beneficiary audience. The success of the project and the visibility it achieved among political decision-makers and in national financial environments added to the ECLAC image. The project activities contributed effectively to reinforcing the leading role of ECLAC as an institution able to offer credible services and assistance to Latin American and Caribbean organizations and institutions at different levels: the interviews with the national representatives confirmed the appreciation of ECLAC support and the free comments in the questionnaire included many requests to have this type of intervention repeated, as ECLAC is considered a sound source of information and support. Special appreciation has often been expressed for the contents of the meetings, especially with reference to the exchange of experiences: ECLAC is commended for the selection of speakers and for the capacity to assemble high-quality contents. ECLAC was immediately perceived in the role of leader in the preparation and distribution of information and technical assistance. This is evidence of the appreciation and validity of the technical assistance and the support offered by the project and, consequently, of the leading role of ECLAC in promoting financial inclusion in Latin American and

Caribbean countries. During the project events, the role of ECLAC, not only as an organizer but also as a provider of specific support, was stressed in the contents of the presentations given by ECLAC officers and the documentation distributed.

75. As shown in the letters of thanks received, the institutions participating in the project benefited from the exchange of experiences and from the knowledge distributed. All of them acknowledge that ECLAC was able to provide essential support to achieve public aims. Given the success of the project (eight countries are now participating and, presumably, other countries may join in similar initiatives in the near future), ECLAC confirmed its capacity to assess, understand and respond to the needs of the region.

76. Overall the comments from participants and beneficiaries confirm ECLAC as source of consolidated knowledge. In the case of this project, the most interesting evidence concerns the ECLAC role in making the shift from high-quality analysis of problems based on solid theory to developing knowledge and helping to transform it into practice: a facilitator for combining academics with practitioners. It is remarkable, for example, that at the meetings in Brazil the project enabled more exchanges between BNDES and SEBRAE —as mentioned during the interviews— as two main institutions that can offer support to smaller companies. This is something that does not happen often and was made possible by the excellence that ECLAC offers and the resulting respect and attention its actions and events attract.

F6.2: While fitting in with the overall ECLAC strategy, the project confirmed the institution's attention to the achievement of the SDGs: the proposal to treat financial inclusion as a "public good" could be a strong driver to its consieration as a basic right.

77. The ECLAC strategic framework for the period 2014–2015 includes as its objective for subprogramme 4, "To foster an efficient generation and allocation of financial resources in Latin America and the Caribbean to support development and equality".

78. **In the framework of development goals, the project directly contributes to two main areas of the SDGs: combating inequality (Goal 5: achieve gender equality and empower all women and girls; Goal 10: reduce inequality within and among countries), and promoting economic growth (Goal 8: promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all; Goal 9: build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation).** As it fosters financial inclusion, the project will support the development of SMEs and access to economic growth by social sectors that would otherwise be left behind. It also contributes to creating a friendlier environment for job creation at the local and regional levels, and linking different economic actors. Expanding and promoting the role of development banks is also part of the agenda proposed in the outcome document of the United Nations Conference on Sustainable Development (Rio+20), *The future we want*, which recognizes the role of development banks in mobilizing resources for sustainable development (paragraph 54).

79. **Increasing the analysis, debate and practices regarding financial inclusion fits in with the role of ECLAC as a promoter of inclusive and sustainable development. The benefits of financial systems that are inclusive —meaning that they provide access to financial services to large shares of individuals and firms— rest on the belief that financial access tends to reduce inequality and poverty.** In non-inclusive financial systems, it is normally small firms and poor individuals that lack access to finance. This reinforces inequalities, since the latter will need to rely only on their own resources in order to become educated, start a business, invest or take advantage of promising business opportunities, for instance.

80. **Financial inclusion thus holds the promise of boosting growth and reducing poverty and inequality**, notably by mobilizing savings and providing households and firms with greater access to resources needed to finance consumption and investment and to insure against shocks. In addition, financial inclusion can foster labour and firm formalization, helping, in turn, to boost government revenues and strengthen social safety nets. **Financial inclusion could have very marked benefits in Latin America and the Caribbean, where growth is modest and volatile, poverty and inequality remain high, savings and investment are low, and informality is rampant.** Improving access to finance and building inclusive financial systems that cater to the needs of a large segment of the population have become an important policy objective. Not surprisingly, financial inclusion has become an increasingly important goal of policymakers in the region.

81 Only a few years ago in Latin America and the Caribbean, three countries —Brazil, Colombia and Mexico— were the first to prepare annual reports on financial inclusion and include it as a priority on their agendas. Mexico established the National Council for Financial Inclusion in October 2011and was the first country to prepare a financial inclusion report. In its fourth such report, the Council defines financial inclusion as the access and usage of financial services under appropriate regulation, guaranteeing consumer protection schemes and promoting financial education for improving the financial abilities of all segments of the population. In its 2011 annual report on financial inclusion, the Central Bank of Brazil defines this as a process by which the population effectively accesses and uses financial services that are adapted to their needs and contribute to their standard of living and, referring to Mexico's report, it insists upon the need for policies aimed at promoting financial inclusion, including elements of regulation, financial education and consumer protection. Meanwhile, the financial inclusion report prepared by the Financial Superintendency of Colombia and Banca de las Oportunidades in 2012 uses the same definition as the Alliance for Financial Inclusion (AFI)[21] and its multifaceted approach.

82. The proposal made in the project's final conclusions to treat financial inclusion as a public good is attractive, but will need more specifications and details to avoid risks. Conceptualizing financial inclusion as a public good implies affording a role to development banks as promoters of productive financing. Development banking can also complement commercial banks, whose current characteristics do not provide the right incentives to extend their services to SME financing. In fact, the evidence shows that the development banks have been able to expand their financing instruments and mechanisms by accounting for the requirements, characteristics and risks of the different productive activities. However, when management of public resources is involved for investments with higher potential risks, as could be the case for enlarged financial inclusion, there is a need not only for full transparency with regard to objectives and expected results but also for full justification of the use of potential "subsidies": the scope for increased "socioeconomic insertion" for marginal actors could crowd out the more sustainable "economic productive insertion".

83. The analysis presented during the project events made it clear that economic impact of inclusion policies depends on the source of financial frictions and other country characteristics. Greater financial inclusion could spur economic growth and reduce inequality by increasing the presence of marginal and minority populations, although trade-offs are likely and need to be assessed. In particular, while policies aimed at lowering collateral requirements (e.g. strengthening the legal framework for managing and seizing collateral, reducing the size of collateral requirements, and creating a modern collateral registry) are most beneficial for growth, they may also lead to higher inequality as marginal benefits accrue to the top of the wealth and income distribution. In contrast, policies aimed at reducing participation costs (e.g. lowering documentation requirements and reducing red tape and the need for informal guarantors to access finance) could help reduce inequality but may not yield substantial growth benefits. Hence, developing tailored policies requires an understanding of the country-specific constraints and priorities. Moreover, given the potential

[21] The Alliance for Financial Inclusion (AFI), set up in 2009, is a global network of financial policymakers in developed and developing countries working together to increase access to financial services for the poor. The World Bank and the Organization for Economic Cooperation and Development (OECD), along with their institutions, currently lead financial inclusion tasks at the international level.

trade-offs between growth and inequality, a multi-pronged approach to fostering financial inclusion is warranted. In addition, financial inclusion strategies may lead to unintended side effects (e.g. increased financial instability) that need to be monitored and addressed.

F6.3: Financial inclusion can have a substantial impact on women, especially as economic actors; however, no gender-specific impacts have been associated with financial inclusion in the project design; the limited participation of women in project activities is correlated with the limited presence of women within the regional financial institutions.

84. Although no gender-specific impact has been associated with financial inclusion in the project design, it is expected that strengthening the institutional capacity of governments in this policy area is also likely to have positive spillover effects in related areas, as the presence of women as economic actors is still limited in the region. Female SME owners may face gender-related barriers that affect their access to finance. Women suffer more from constrained access to finance compared to men, whether in terms of the cost of finance, ability to gain approval for financing, or legal disputes and conflict resolution in case of bankruptcy. In addition, banks request more strict collateral requirements when dealing with female investors. The allocation of resources within the family is greatly influenced by the perception of roles, where men are seen as the main or sole breadwinners (even when they are not). As a result, women rely more on the informal financial market than men do, and are more likely to draw on funds from family and friends.

85. The empirical evidence suggests that female-owned firms tend to be smaller than firms owned by men and to grow at a slower rate. While several factors, such as type of business, managerial skills, or the regulatory environment, may be driving these differences, access to financial services may matter. The gender gap in access to finance is still a relatively unexplored topic, but a growing literature documents that, relative to men, women face less favourable conditions in seeking financing. Even after controlling for a range of demographic and socioeconomic characteristics, a recent cross-country study[22] finds that the ownership of bank accounts and the usage of savings and lending instruments are substantially less prevalent among women. The findings suggest that female entrepreneurs are less likely than their male counterparts to obtain financing from formal institutions and are more likely to pay higher interest rates or receive less favourable loan terms. Consequently, improving financial inclusion could help reduce the difficulties of women as economic actors in accessing credit.

86. Overall, if broad government policies tackle the underlying causes of the gender gap, boosting access to finance may improve the performance of female-owned enterprises. In settings where gender bias or taste discrimination is relevant, financial inclusion policies may have to be combined with business training. However, depending on the local context, household constraints may prevent women from making changes in their businesses so that even the combination of credit and training may be ineffective. In these types of settings, policies aimed at strengthening women's position in society should be promoted. This may require reforming the laws and regulations pertaining to property rights and inheritance to encourage women's ownership of assets. This hypothesis opens the door to some specific actions that may be included in a future "policy dialogue" component.

87. In terms of participation, the data collected (see table 6) show that the participation of women was well below 50%, a fact confirmed by the answers to the questionnaire (see figure 15), where only 22% of the answers come from women. It is true that the topic is dominated by men at the national level as well as within ECLAC: nevertheless, the project management could probably have afforded more attention to increasing the participation of women.

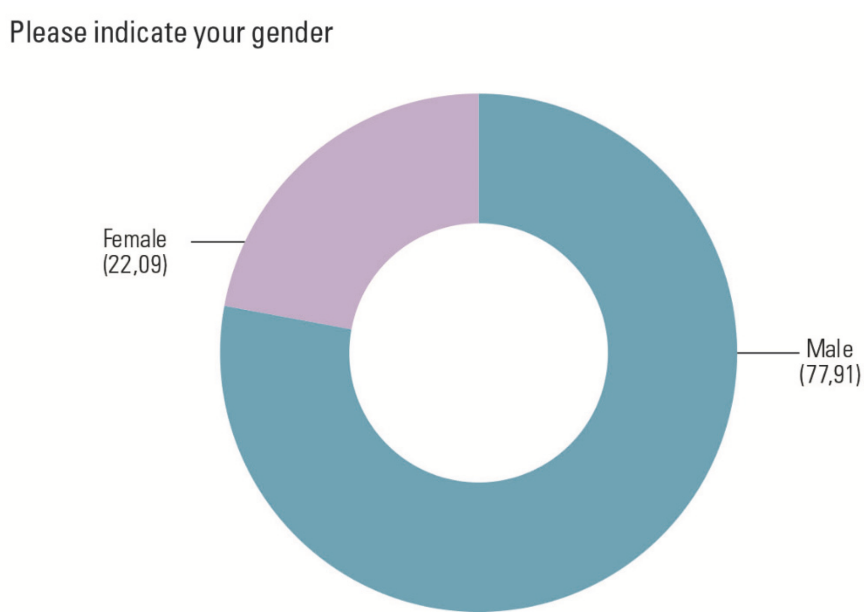
[22] See R. Ramalho and others, *Improving Access to Finance for SMEs: Opportunities through Credit Reporting, Secured Lending, and Insolvency Practices*, Washington, D.C., World Bank, 2018.

Table 6
Participation in project events, by sex (according to the lists provided by the project)
(Number of participants and percentages)

EVENT	PARTICIPANTS	
	Men	Women
Workshop in Mexico, July 2016	30	6
Workshop in Colombia, October 2016	42	26
Workshop in Ecuador, October 2016	31	12
Seminar in Mexico, April 2017	48	13
Seminar in Peru, August 2017	37	22
Workshop in Thailand, September 2017	9	3
Study tour in Thailand, September 2017	9	3
Seminar in Chile, October 2017	41	17
Seminar in Costa Rica, November 2017	47	18
Seminar in Brazil, November 2017	34	14
Workshop in Chile, June 2018	5	2
Seminar in Chile, June 2018	20	6
Total	**353**	**142**
Percentage of the total	**71**	29

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

Figure 15
Questionnaire respondents, by sex
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC).

5. CONCLUSIONS

88. Financial inclusion, as one of the objectives and expected results of the financial intermediation process, could open difficult choices for policymakers. The role of public institutional investors —such as development banks— is emblematic in this respect. For example, it is not clear how to generate incentives for more risk-taking to foster investments, especially in innovation, and promote growth while preserving the stability of the financial system. On the one hand, to the extent that development banks invest too conservatively, they will underperform relevant benchmarks. On the other hand, generating more risk-taking would put institutions' funds at higher risk at the expense of taxpayers. And riskier behaviour makes monitoring of financial intermediaries more difficult. In other words, there is a strong trade-off between stability and development, and it is not clear where the socially optimal outcome lies. To complicate matters more for policymakers, the global financial crisis led to a devaluation of the international paradigms and a questioning of the international regulatory framework.

89. **C1: The project's relevance confirms ECLAC outreach capacity.** The success of the project, due to selection of the main issue together with the implementation pattern, confirmed once again that ECLAC is the leader in the region in providing valuable and credible technical assistance to beneficiary countries, focusing on common issues where its capacity to produce solid analysis is combined with its typical modalities for distribution of the message to the most relevant stakeholders. The increased demand for participation, as well as the demand for technical assistance, is an indicator of the relevance of the project contents and objectives that confirms the capacity of ECLAC to offer the right answers to the region's major issues.

90. **C2: The project has been successful inasmuch it exceeded its planned activities and offered extra support.** The overall results are very positive and show the general high efficiency and effectiveness of the management, which, with a focused and consistent approach, has been able to provide assistance and knowledge to a larger public: (i) it completed a larger amount of activities than foreseen; (ii) it increased the number of beneficiary countries from the original four to eight; (iii) it offered specific technical assistance in response to the demand from national institutions in three countries; and (iv) it started an online platform as an instrument to collect/exchange data and experiences.

91. **C3: The final success of the project is due to the credible theory of change on which the design was based.** The project results and the debates during the events validated the assumption that better information from authoritative sources founded on valuable studies, coupled with focused participatory meetings based on the same studies and on selected practices, would produce the expected changes in term of awareness as first step towards actions. The point of this project is not simply the need for financial inclusion per se, but to achieve financial inclusion as an instrument for productive integration purposes.

92. **C4: The project advanced credible justification for development banks' intervention in terms of market creation.** In line with some recent economic analysis and theory, the project studies on the local situations, as well as the theoretical considerations, helped to build a justification for more specific intervention by development banks. In other words, by adopting a market-shaping/creating role rather than more short-term market-fixing role, development banks —as instruments of the State— have the opportunity to help generate impact outcomes for SMEs that are more aligned with long-term public aims. From the point of view of supply, the problem of SME financial inclusion lies, for different reasons, in the limited capacity of private financial institutions to offer suitable products —in quantitative terms and credit terms— to smaller companies. This testifies to the importance of interventions by institutions of a public nature that have the orientation, instruments and technical, economic and financial capacity to break down access barriers. However, the supply-side challenges of access are related not only to market failures, but also to the lack of markets. Thus, through financial innovations, public institutions structure and even create markets, which allows them to respond to development challenges such as the strengthening of smaller companies, investment in innovation and mitigation of the effects of climate change.

93. **C5: The project helped to improve public awareness of the role of development banks in the region…** The project studies, events and technical assistance contributed to increasing awareness of the importance of development bank engagement in increasing financial inclusion. Thanks to the events and the platform, the project provided dissemination tools at the regional level that offered the relevant trends on financial inclusion issues, which in turn pushed national stakeholders to better define local situations, promoted learning from other countries' experiences and fostered the transfer best practices. The national workshops highlighted three important problems of development banking institutions: (i) the lack of long-term vision; (ii) the lack of coordination among banks; and (iii) the absence of evaluation of the impact of their programmes and instruments. These problems are reflected in the characteristics of the financial system in Latin America: a notoriously short-term policy slant, high concentration and significant shortage of financial instruments.

94. **C6: …but heterogeneous situations/definitions and insufficient data hinder comparisons and consolidation…** In policy terms, there is a notable willingness on the part of public institutions to act for the benefit of smaller companies. However, there is a great heterogeneity in terms of the relative importance afforded to the segment, different institutional models and very varied priorities and guidelines. The large variety of SME definitions is not conducive to building comparable data. The quality of SME-related statistics and finance has no standard acceptable quality. This makes it difficult to select best practices, as situations are very different and methodology is lacking; as a result, most development banks do not perform impact assessments. Overall data quality is insufficient to build a consolidated picture. In many countries, the data on financial inclusion and support to SMEs are insufficient and often not comparable. The discussions at project events showed the need for a more common standard.

95. **C7: …something that could push ECLAC to assume a specific role.** Considering the large number of actions already ongoing and the difficulties in obtaining data/statistics of adequate quality, there is a place for a specific intervention by ECLAC. All the stakeholders agree upon the need for more overall monitoring and impact analysis of the results. ECLAC lacks direct expertise in bank management but has a consolidated institutionalized capacity to collect and prepare data. In order to rank/benchmark best practices and to capitalize on/distribute experiences in the most effective way —that is, to present the instruments with their results and their conditionalities— ECLAC could lead the implementation of a methodology to prepare and produce a standardized data collection method, something that the platform has in fact begun.

96. **C8: The implicit proposal to treat financial inclusion as a public good is attractive, but will need more specifications and details to avoid risks.** Conceptualizing financial inclusion as a public good implies affording a role to the development banks as promoters of productive financing. Development banking can also complement commercial banks, whose current characteristics do not provide the right incentives to extend their services to SME financing. In fact, the project's findings show that the development banks have been able to expand their financing instruments and mechanisms by accounting for the requirements, characteristics and risks of the different productive activities. However, when management of public resources is involved for investments with higher potential risks, there is a need not only for full transparency with regard to objectives and expected results but also for full justification of use of potential "subsidies": the scope for increased "socioeconomic insertion" for marginal actors could crowd out the more sustainable "economic productive insertion".

97. **C9: The sustainability of project outcomes depends on the capacity of development banks to incorporate/adapt the suggested innovations, including the related risk assessment.** Innovations are welcome, but they need both adaptation to local context and time to test/develop. Staying close to and working closely with markets should provide guidelines and performance benchmarks that limit the risks of excessive financial risk-taking as well as the risks of political or bureaucratic capture. Finally, managers of development banks (the agents) need to do a better job of explaining what they are doing to the political system and society at large (the principal). This requires both accountability and transparency. The political evaluators of development banks are also encouraged to assess the economy-wide costs and benefits of public risk-taking (be it through development banks or special loan and guarantee programmes) while encouraging rigorous assessments of its additionality and impact.

98. **C10: The instruments designed to support sustainability —database on best practices and the platform— need to be fine-tuned and made more attractive.** Some of the activities developed towards the end of the project were undertaken to improve the conditions for sustainability of project outcomes: they included the creation of a system of information on development bank instruments and of a learning and communication web platform. Both these initiatives are still under development: some issues remain to be defined to ensure the workability of both products. The management and responsibilities also need to be defined, in order to ensure that the two products will become a real service for development bank officers as well for other financial institutions willing to enter new markets.

99. **C11: Transfer of technical know-how needs to be facilitated, especially when new concepts and instruments are distributed.** The interest by beneficiary countries in the project actions was well justified by the offer of new instruments whose importance and usefulness were quickly understood. Nevertheless, it was remarked during the meetings and in the demand for technical assistance that more direct support is needed in order to implement the suggestions and recommendations, because the events were only able to elicit attention and the documentation was perhaps too academic to allow complete know-how transfer.

100. **C12: Women as economic actors did not receive the specific attention they deserved, but financial inclusion as a general policy can provide substantial boost to their participation.** Although no gender-specific impacts have been associated with financial inclusion in the project design, strengthening the institutional capacity of governments in this policy area is expected to have positive spillover effects in related areas, such as women's presence as economic actors, considering that this is still limited in the region.

6. LESSONS LEARNED

101. **L1: Concentrating actions on a single major issue makes it possible to increase interest and impact.** The constant interest elicited, as well as the quantity of completed outputs and achieved outcomes, has been thanks to the capacities of the project management to take a set of important decisions: to concentrate the focus on the issue of development banks' role in financial inclusion for SMEs. Another management decision —to develop specific national studies to be discussed/distributed at high-level meetings— was in the same direction and helped to firmly establish the project within the beneficiary country institutions as a source of new know-how. In effect, the broad interest reflects awareness of the existence of needs combined with the rapid expansion of innovative tools: the project thus responded to a real demand.

102. **L2: The recent attention being paid to financial inclusion is already generating a wide set of interventions, so more sharing is decisive for increased impact…** From the national reports, it appears that quite a lot of actions are already being implemented by development banks: almost all countries have adopted measures aimed at the productive integration of smaller companies. In effect, in order to strengthen financial inclusion, some Latin American and Caribbean development banks have already been moving towards innovation in terms of products, processes and institutional forms. Product innovation includes instruments to facilitate access to the financial system and reduce risk, such as the BNDES card in the case of Brazil, which has enabled increased access to the financial system by SMEs and has the potential to reduce financing costs. Also notable is the use of technology platforms to improve financial inclusion, such as the productive chains program of Nacional Financiera in the case of Mexico. In this environment, the project's purpose to collect, select and distribute best practices is correct and needs to be strengthened.

103. **L3: …nevertheless, innovations need time, experimentation and assessments (besides political willingness).** The introduction of innovations requires time, disposition and experimentation, with successes and mistakes, adaptation processes and, above all, the engagement of the senior echelons of development banks in managing change processes. This participation is fundamental to overcome internal and external resistance to the innovation process. It takes a long time from the introduction of a financial product until it is made available to potential recipients. The recurrent use of new instruments can strengthen trust and lead to the establishment of stable and lasting relationships between SMEs and financial agents. Financial innovations must be widely disseminated in order to serve as inspiration for other institutions, although the simple replication of a model is impossible. Each and every financial product requires explicit efforts to adapt to the demand profile, to the regulatory regime and, mainly, to the structure and function of the national financial organization. It could thus be important to verify the consolidation and the institutionalization of the process, as this is the first essential step towards more exploitation of the new tools available.

104. **L4: In the challenges of facing heterogeneity, more demand-side analysis may help to develop appropriate instruments.** In the context of Latin America and the Caribbean, innovation for financing poses important challenges, since it is necessary to develop a range of instruments designed to address the region's productive heterogeneity. New instruments must also address existing issues, such as including SMEs, closing the infrastructure gap, creating financial instruments to promote international trade, and strengthening complementarities between public and private financial intermediaries. A lot of experimentation is required to execute public policies and implement any kind of measure, especially of a financial nature, for the diffuse, varied and heterogeneous group that make up SMEs. Naturally, experimentation is accompanied by errors and successes. The mitigation of errors and expansion of the possibilities of success can only be achieved through a permanent process of monitoring and evaluation, aimed at improving policy formulation and application and enabling accountability, a basic element of any public action. The heterogeneity of the countries' situations is complicated by the large differences in the potential beneficiaries: the "smaller businesses". From the debates during the project events, it emerged that the need for appropriate instruments demands a segmentation of targets based on adequate analysis of the potential beneficiaries.

105. **L5: When new approaches to important issues are presented to less prepared beneficiaries, some sort of follow-up will help consolidate the outcomes.** The project was correct in accepting all interested beneficiaries and promoting the participation of other countries, as the management understood that the novelty proposed was an immediate hit. However, precisely because of its novelty, the package offered should contain some sort of technical assistance follow-up to consolidate the capacities: this was achieved only in the last phase but should be part of the design as a complete package. The transfer of know-how to the benefit of the local environment is decisive for increasing local capacity.

106. **L6: Better coordination within multiple interventions working on financial inclusion issues can increase efficiency and overall effectiveness.** It is evident that there is a large variety of projects and programmes at the national/regional level (see paragraph 12), to the point that overlaps occur between institutions and programmes and synergies are not always researched enough. Support from international donors is critically important for many development banks that are unable to collect resources directly from the markets. But if projects are activated only because there are cooperation funds available, the strategy of promoting and developing an effective policy or national strategy on financial inclusion (which may not be delegated) risks not being sustainable.

107. **L7: Creating spaces for exchange of experiences between institutions is worth the effort…** The two spaces the project developed to allow exchange of experiences —the seminars and the platform— have been much appreciated by the stakeholders and potential beneficiaries and confirm ECLAC competence in the distribution of knowledge. However, to increase know-how transfer, more attention to contents should be a basic condition.

108. **L8: …. but practitioners demand more specific attention.** The definition of expected accomplishments demanded increased use of innovative tools. The officers at development banks and other institutions would therefore have appreciated a more defined package of "best innovative tools" that they could have put into practice. The discussion spaces offered a preliminary view that should have been deepened through the platform.

109. **L9: Financial inclusion demands more than financial resources.** The project studies pointed out that there are many other determinants favouring financial inclusion. The role of financial education was especially marked. In the longer run, bridging the region's negative financial inclusion gaps with respect to the emerging market frontier (emerging Asia) requires efforts to improve education systems (including financial literacy), strengthen the rule of law, reduce the shadow economy, diversify economies away from oil, and continue fostering economic growth to attain higher income levels. Some of these steps, including greater financial literacy and education, as well as greater labour market formality, will also help reduce reliance on informal finance.

7. RECOMMENDATIONS

110. The best recommendation, considering the success of the project and the expectations it promoted, is quite simple: "Do not lose momentum". From the interviews with ECLAC officers, it is clear that they are already engaged in building a credible continuation of the initiative. **The future of the initiative should be marked by two words: consolidation and institutionalization.** The diversity of situations does not allow strong common recommendations, but these two features are essential in any environment. Consolidation refers mostly to know-how and methodology, while institutionalization refers especially to the policy decisions to be made in order to have financial inclusion present on each country agenda. The two concepts are strongly interrelated and interdependent and hopefully should be considered jointly in any future step. ECLAC capacity for intervention is related more to consolidation than to institutionalization; nevertheless, there could be options available for the latter. Some specific recommendations follow in the paragraphs below, divided into those for ECLAC and those for national development banks, as main stakeholders and beneficiaries of project actions.

111. **ECLAC R1 (see C2, C3, C5, C6, C7, C8, C10, L8, and L9): The role of development banks in sustainable development continues to be a thematic priority deserving of continuous engagement in the future.** The importance of State investment banks in the economy, particularly for transformative goals, is increasingly evident. In particular, development banks represent an important alternative to "old" mission-oriented funding mechanisms. In a time in which many countries are trying not only to stimulate growth but also to address key societal challenges, development banks seem well positioned to effectively promote much-needed capital development of the economy in a smart, inclusive and sustainable direction. In this sense, analysing, theorizing and constructively criticizing what is being done should be a task for ECLAC in order to produce new awareness and improved knowledge. Three areas for future research that would help advance the framework and that represent a new research agenda for evolutionary, innovation and developmental are:

- **Development of indicators that help evaluate the roles of development banks**. This is necessary because the standard economic indicators used in market failure cost-benefit analysis fail to capture precisely those aspects that make the market failure perspective limited. With policymakers increasingly interested in financial inclusion, a multiplicity of financial inclusion indicators have been developed. However, multidimensional indices providing a more complete measure of financial inclusion are few. It is possible to imagine a three-dimensional index capturing different angles of financial inclusion: (i) usage of financial services by households (findex); (ii) usage of financial services by SMEs (enterprise survey); and (iii) access to financial institutions (financial access survey). These indices are designed to capture different facets of financial inclusion that, together, can offer a complete overview of the situation in each country and facilitate comparisons and exchange of practices. The use of a common methodology to assess results from new products will surely allow better comparison to check best practices, which is essential for technological/financial innovations (see annex A for a preliminary suggestion of common indicators).
- **Cross-comparison of different State investment banks and their model of operation.** This could help to establish best practices that may increase development bank efficiency and effectiveness.
- **In-depth case studies of a single development bank or a single development bank programme**, particularly those that are most successful (generate positive returns) and mission-oriented, respectively. This, too, would help to establish best practices. Development banks are not uniform in their size, scope, and structure; they differ across many dimensions: funding source and cost; ownership type; direct or indirect funding (via private agents); activities, programme, portfolio of investments and financing tools; regulatory environment and specific by-laws; priorities; and performance; among other aspects.

- **Study of the use of alternative sources of information to balance information asymmetry.** SMEs and their customers create digital footprints every time they use cloud-based services, conduct banking transactions, make or accept digital payments, browse the Internet, use their mobile phones, engage in social media, buy or sell electronically, ship packages, or manage their receivables, payables, and record-keeping online. This real-time, verified data can be mined to determine both capacity and willingness to repay loans and will be useful in evaluating the payment capacity of individuals and companies. This includes substituting risk assessment based on financial statements for evaluations based on direct, personalized and continuous contact between banks and SMEs.
- **Study of the opportunity to have specific instruments designed for female entrepreneurs.**

112. **ECLAC R2 (see C5, C6, C7, L3, L8): Consolidate the platform and use it to develop common standards to collect information and set up a network of practitioners.** The platform, an essential instrument for improved awareness and dissemination of information on development banks and financial inclusions, still lacks a convincing institutional set-up. The platform should not only be well consolidated in terms of information and data but, in order to serve as a tool for benchmarking, it needs to receive updated information from participating (and future participating) countries and to have new functionalities to improve the user experience. This will allow the creation of benchmarks that are useful for assessing improvements/failures. It could also help to increase outreach, as there is the need to improve communication adapted to beneficiaries.

113. **ECLAC R3 (see C7, L8): Develop analyses and strategies to increase financial education.** Financial inclusion —both at enterprise and household level— needs more focused financial education. This is an area where the expertise and knowledge distribution capacity of ECLAC can offer valuable contributions.

114. **ECLAC R4 (see C3): Define expected results consistent with activities and resources.** The ECLAC project design should better reflect the implicit theory of change and problem analysis and define expected results consistent with the methodology selected for the activities and the available resources. Moreover, indicators should be more specific (quantitative definition/timeline/main actors/main beneficiaries) and be consistent with the available resources and targeted activities, so that monitoring of the project's achievements will be facilitated and best/worst practices more easily selected.

115. **Development banks R1 (C8, C9, L3, L4, L5): Attention to the link between the institutional dimension and innovation.** Innovation in public banking should also be extended to the institutional dimension. This implies, on the one hand, generating greater complementarity between the functions of development banking and commercial banking. Innovation in institutionalization and governance also implies seeking the right balance between innovation and regulation. It is essential to be able to continue with this line of work, which has been present in the various activities and studies that ECLAC has been pursuing within the framework of its project; in order to support these innovation issues in terms both of products, processes and institutions in development banking, and public financial policy measures in order to strengthen the financial inclusion of SMEs in the region.

116. **Development banks R2 (see C9, L4, L8): Increase analysis of demand to build segmentation of targets as a basis to develop the most suitable instruments.** Financing instruments should be adapted to the demand profile and to the structural characteristics of smaller companies. The short deadlines and high volatility of business models call for financial instruments that are both agile —in terms of reception, processing, analysis and response to financing requests— and flexible in the sense of offering different types of financial products. Likewise, it is very important that interest rates and terms be competitive. Therefore, products must be supplied through technological platforms to enable suitable, low-cost operations for beneficiaries. This requires significant and constant investments in information and communication technologies, including big data, networks and artificial intelligence systems. All the success stories in the seven countries studied comply with these requirements.

117. **Development banks R3 (see C8, C9, L2, L4, L6): Promote and manage more specialized equity/venture capital funds geared towards SMEs.** It is well known that not all SMEs face a problem of capital supply owing to adverse selection and moral hazard concerns. In effect, small firms appear less productive than larger ones because of management issues more than lack of adequate financing. The challenge for development banks is not so much to provide abundant finance for all SMEs, but to find and nurture the "gazelles", i.e. young, high-tech firms that are SMEs. Nurturing this group requires as much social capital (sometimes networking and co-management) as financial capital (in the form of venture capital), and the direct credit —the most common format of financing offered by development banks— is less important. Identifying the economic gazelles is akin to the process of "discovering" an economy's cost structure and activities that can be profitably exploited to promote growth. Therefore, the microeconomic development role is also a type of industrial policy, as it complements the macroeconomic development role by selecting specific firms and projects that have the potential to generate Schumpeterian rents and economic development.

118. **Development banks R4 (see C8, C9. L6): Avoid placing development banks in contraposition to commercial banks but instead operate to increase complementarities and joint value added.** The estimated financial gap for smaller companies in the region is quite large and development banks alone could not possibly provide the resources needed without incurring in excessive risks and/or completely changing their investment behaviour. The largest amount of available resources to finance smaller companies is within the private banking system: development banks can demonstrate the profitability of the SME sector and then collaborate with commercial banks to enlarge the options for the beneficiaries. Possible common instruments include:

(a) Specialized guarantee schemes to be managed together with other local financial institutions to increase the multiplier effect of credit lines: the guarantee funds instrument is very useful to expand access, by reinforcing security for the banks that offer loans to smaller companies. However, these funds must be comprehensive and sustainable. Solutions such as auctions of the amount of the guarantee and stop-loss mechanisms should be used to prevent the funds from deteriorating rapidly.

(b) Saving investment plans managed jointly by development banks and commercial banks, where citizens can invest savings up to a certain amount with special fiscal provisions under the condition that the resources are invested in smaller companies' equity, with development banks providing first loss cover: again this can work with high multiplier effects.

ANNEXES

ANNEX 1	TERMS OF REFERENCE
ANNEX 2	SUGGESTIONS FOR SMEs FINANCIAL INCLUSION INDICATORS
ANNEX 3	SOME HYPOTHESES FOR INNOVATIVE INSTRUMENTS
ANNEX 4	SOME HINTS FOR THE FUTURE OF FINANCIAL INCLUSION IN THE REGION
ANNEX 5	COMMENTS FROM ERG EP GC
ANNEX 6	COMMENTS FROM DPPO
ANNEX 7	COMMENTS FROM DPPO (2)
ANNEX 8	EVALUATION FRAMEWORK
ANNEX 9	SURVEY QUESTIONNAIRE

ANNEX 1

TERMS OF REFERENCE

Evaluation of the Development Account Project ROA 290-9

Promoting inclusive finance through development banking innovation practices to support social, productive development and structural change with a particular focus on SMEs in Latin American countries

I. Introduction

1. This assessment is out in accordance with the General Assembly resolutions 54/236 of December 1999, 54/474 of April 2000 and 70/8 of December 2015, which endorsed the Regulations and Rules Governing Programme Planning, Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation (PPBME) and its subsequent revisions. In this context, the General Assembly requested that programmes be evaluated on a regular, periodic basis, covering all areas of work under their purview. As part of the general strengthening of the evaluation function to support and inform the decision-making cycle in the UN Secretariat in general and ECLAC in particular and within the normative recommendations made by different oversight bodies endorsed by the General Assembly, ECLAC's Executive Secretary is implementing an evaluation strategy that includes periodic evaluations of different areas of ECLAC's work. This is therefore a discretionary internal evaluation managed by the Programme Planning and Evaluation Unit (PPEU) of ECLAC's Programme Planning and Operations division (PPOD).

II. Evaluation Topic

2. This assessment is an end-of-cycle review of a regional project aimed at building the capacity of Development Banks, and other stakeholders in the region regarding financial inclusion, and assisting them in tailoring financial instruments to foster economic development, in particular regarding SMEs. To achieve this objective the project planned to focus on studying experiences form four specific Latin American Development Banks, in order to identify best practices and the possibility to transpose them in other countries, and to draft policy recommendations for the strengthening of development banks.

III. Objective of the Assessment

3. The objective of this assessment is to review the efficiency, effectiveness, relevance, and sustainability of the project implementation and more particularly document the results the project attained in relation to its overall objectives and expected results as defined in the project document.

4. The project objective was to support national Development Banks of select Latin American countries to strengthen inclusiveness of public financial systems and to promote productive development with a particular focus on SMEs.

5. The assessment will place an important emphasis in identifying lessons learned and good practices that derive from the implementation of the project, its sustainability and the potential of replicating them to other countries.

6. The lessons learned and good practices in actual project implementation will in turn be used as tools for the future planning and implementation of projects.

IV. Background

The Development Account

7. The Development Account (DA) was established by the General Assembly in 1997, as a mechanism to fund capacity development projects of the economic and social entities of the United Nations (UN). By building capacity on three levels, namely: (i) the individual; (ii) the organizational; and (iii) the enabling environment, the DA becomes a supportive vehicle for advancing the implementation of internationally agreed development goals (IADGs) and the outcomes of the UN conferences and summits. The DA adopts a medium to long-term approach in helping countries to better integrate social, economic and environmental policies and strategies in order to achieve inclusive and sustained economic growth, poverty eradication, and sustainable development.

8. Projects financed from the DA aim at achieving development impact through building the socio-economic capacity of developing countries through collaboration at the national, sub-regional, regional and inter-regional levels. The DA provides a mechanism for promoting the exchange and transfer of skills, knowledge and good practices among target countries within and between different geographic regions, and through the cooperation with a wide range of partners in the broader development assistance community. It provides a bridge between in-country capacity development actors, on the one hand, and UN Secretariat entities, on the other. The latter offer distinctive skills and competencies in a broad range of economic and social issues that are often only marginally dealt with by other development partners at country level. For target countries, the DA provides a vehicle to tap into the normative and analytical expertise of the UN Secretariat and receive on-going policy support in the economic and social area, particularly in areas where such expertise does not reside in the capacities of the UN country teams.

9. The DA's operational profile is further reinforced by the adoption of pilot approaches that test new ideas and eventually scale them up through supplementary funding, and the emphasis on integration of national expertise in the projects to ensure national ownership and sustainability of project outcomes.

10. DA projects are being implemented by global and regional entities, cover all regions of the globe and focus on five thematic clusters. Projects are programmed in tranches, which represent the Account's programming cycle. The DA is funded from the Secretariat's regular budget and the Economic Commission for Latin America and the Caribbean (ECLAC) is one of its 10 implementing entities. The UN Department of Economic and Social Affairs (DESA) provides overall management of the DA portfolio.

11. ECLAC undertakes internal assessments of each of its DA projects in accordance with DA requirements. Assessments are defined by ECLAC as brief end-of-project evaluation exercises aimed at assessing the relevance, efficiency, effectiveness and sustainability of project activities. They are undertaken as desk studies and consist of a document review, stakeholder survey, and a limited number of telephone-based interviews.

The project

12. The project under evaluation is part of the projects approved under this account for the 9th Tranche (2014-2017). It was implemented by the Economic Commission for Latin America and the Caribbean (ECLAC) of the United Nations, specifically its Financing for Development Division with the cooperation of the Economic Commission for Asia-Pacific (ESCAP) and the Department of Economic and Social Affairs (DESA).

13. The original duration of this project was of approximately four years (2014 –2017), having started activities in December 2014.

14. The overall logic of the project against which results and impact will be assessed contains an overall objective and a set of expected accomplishments and indicators of achievement that will be used as signposts to assess its effectiveness and relevance.

15. The project's objective as stated above is "to support national Development Banks of select Latin American countries to strengthen inclusiveness of public financial systems and to promote productive development with a particular focus on SMEs." The project was envisaged to work on four countries for study purposes, tentatively Brazil, Colombia, Ecuador, Mexico. During the implementation of the project the number of beneficiary countries was increased from four to seven to include Argentina, Costa Rica and Peru.

16. The expected accomplishments were defined as follows:

- EA1. Strengthen public financial policies to promote financial inclusion of small and medium enterprises (SMEs).
- EA2. Improved financial instruments by Latin American and Caribbean development banking systems to mobilize resources for productive development.

17. To achieve the expected accomplishments above, the following activities were originally planned:

(A1.1) Preparation of national studies in at least four countries in the region (tentatively Brazil, Colombia, Ecuador, Mexico).

(A1.2) Convening of four two-day national seminars (analyzing tentatively the cases of Brazil, Colombia, Ecuador, and Mexico) to present and discuss the four case studies.

(A2.1) Preparation of a comparative regional study of the four Latin America countries that are included in the project (Brazil, Colombia, Ecuador and Mexico).

(A2.2) Convening of a two-day regional workshop with the aim of presenting the regional study and focus more intensely on the four project countries Brazil, Colombia, Ecuador and Mexico from a regional comparative perspective.

(A2.3) Technical Assistance/advisory services to discuss and recommend measures to strengthen the Development Banking institutions and the instrument tool kit for financial innovation for inclusion in selected Latin American countries.

(A.2.4) Convening a two-day workshop at the regional level with the aim of following-up and discussing the different experiences relating to the implementation strategies of the instrument toolkit and their preliminary results, including the identification and analysis of successes, gaps and challenges posed by the different national experiences, contexts and strategies of implementation.

(A.2.5) Showcasing the project results including the identification of a collection of best practices at meetings on development banking and financial inclusion in order to promote the diffusion of the project to a wider audience.

18. The original budget for the project totalled US$ 502,000. Progress reports were prepared on a yearly basis.

19. On December 2017, the project was granted a six-months extension, until June 2017, and an additional budget of US$115,000 to carry out the following planned activities:

(i) technical assistance to the project countries that have expressed demands for technical assistance. The technical assistance will focus on expanding and refining the toolkit of instruments that development banks can use to expand the financial inclusion of SMES;

(ii) provide a detailed data base of the current state of instruments used by development banks in the countries contemplated by the project and countries that are not included in the project, to promote financial inclusion.;

(iii) construction of a learning platform in the project´s webpage;

(iv) one regional workshop

Stakeholder Analysis

20. Project beneficiaries were National Development Banks.

V. Guiding Principles

21. The assessment will seek to be independent, credible and useful and adhere to the highest possible professional standards. It will be consultative and engage the participation of a broad range of stakeholders. The unit of analysis is the project itself, including its design, implementation and effects. The assessment will be undertaken in accordance with the provisions contained in the Project Document. The evaluation will be conducted in line with the norms, standards and ethical principles of the United Nations Evaluation Group (UNEG).

22. It is expected that ECLAC's guiding principles to the evaluation process are applied. In particular, special consideration will be taken to assess the extent to which ECLAC's activities and outputs respected and promoted human rights. This includes a consideration of whether ECLAC interventions treated beneficiaries as equals, safeguarded and promoted the rights of minorities, and helped to empower civil society.

23. The assessment will also examine the extent to which gender concerns were incorporated into the project —whether project design and implementation incorporated the needs and priorities of women, whether women were treated as equal players, and whether it served to promote women's empowerment.

24. Moreover, the evaluation process itself, including the design, data collection, and dissemination of the assessment report, will be carried out in alignment with these principles.

25. The evaluation will also include an assessment of the project´s contribution to the achievement of the Sustainable Development Goals (SDGs).

26. Evaluators are also expected to respect UNEG's ethical principles as per its "Ethical Guidelines for Evaluation":

- **Independence**: Evaluators shall ensure that independence of judgment is maintained and that evaluation findings and recommendations are independently presented.
- **Impartiality**: Evaluators shall operate in an impartial and unbiased manner and give a balanced presentation of strengths and weaknesses of the policy, program, project or organizational unit being evaluated.
- **Conflict of Interest**: Evaluators are required to disclose in writing any past experience, which may give rise to a potential conflict of interest, and to deal honestly in resolving any conflict of interest which may arise.
- **Honesty and Integrity**: Evaluators shall show honesty and integrity in their own behavior, negotiating honestly the evaluation costs, tasks, limitations, scope of results likely to be obtained, while accurately presenting their procedures, data and findings and highlighting any limitations or uncertainties of interpretation within the evaluation.

- **Competence**: Evaluators shall accurately represent their level of skills and knowledge and work only within the limits of their professional training and abilities in evaluation, declining assignments for which they do not have the skills and experience to complete successfully.

- **Accountability**: Evaluators are accountable for the completion of the agreed evaluation deliverables within the timeframe and budget agreed, while operating in a cost-effective manner.

- **Obligations to Participants**: Evaluators shall respect and protect the rights and welfare of human subjects and communities, in accordance with the UN Universal Declaration of Human Rights and other human rights conventions. Evaluators shall respect differences in culture, local customs, religious beliefs and practices, personal interaction, gender roles, disability, age and ethnicity, while using evaluation instruments appropriate to the cultural setting. Evaluators shall ensure prospective participants are treated as autonomous agents, free to choose whether to participate in the evaluation, while ensuring that the relatively powerless are represented.

- **Confidentiality**: Evaluators shall respect people's right to provide information in confidence and make participants aware of the scope and limits of confidentiality, while ensuring that sensitive information cannot be traced to its source.

- **Avoidance of Harm**: Evaluators shall act to minimize risks and harms to, and burdens on, those participating in the evaluation, without compromising the integrity of the evaluation findings.

- **Accuracy, Completeness and Reliability**: Evaluators have an obligation to ensure that evaluation reports and presentations are accurate, complete and reliable. Evaluators shall explicitly justify judgments, findings and conclusions and show their underlying rationale, so that stakeholders are in a position to assess them.

- **Transparency**: Evaluators shall clearly communicate to stakeholders the purpose of the evaluation, the criteria applied and the intended use of findings. Evaluators shall ensure that stakeholders have a say in shaping the evaluation and shall ensure that all documentation is readily available to and understood by stakeholders.

- **Omissions and wrongdoing**: Where evaluators find evidence of wrong-doing or unethical conduct, they are obliged to report it to the proper oversight authority.

VI. Scope of the evaluation

27. In line with the assessment objective, the scope of the assessment will more specifically cover all the activities implemented by the project. The assessment will review the benefits accrued by the various stakeholders in the region, as well as the sustainability of the project interventions. The assessment will also review the interaction and coordination modalities used in its implementation within ECLAC, and between/among other co-operating agencies participating in the implementation of the project.

28. In summary, the elements to be covered in the assessment include:

    - Actual progress made towards project objectives
    - The extent to which the project has contributed to outcomes in the identified countries whether intended or unintended.
    - The efficiency with which outputs were delivered.
    - The strengths and weaknesses of project implementation on the basis of the available elements of the logical framework (objectives, results, etc) contained in the project document
    - The validity of the strategy and partnership arrangements. Coordination within ECLAC, and with other co-operating agencies.

- The extent to which the project was designed and implemented to facilitate the attainment of the goals.
- Relevance of the project's activities and outputs towards the needs of Member States, the needs of the region and the mandates and programme of work of ECLAC.

29. It will also assess various aspects related to the way the project met the following Development Account criteria:

- Result in durable, self-sustaining initiatives to develop national capacities, with measurable impact at field level, ideally having multiplier effects;
- Be innovative and take advantage of information and communication technology, knowledge management and networking of expertise at the sub regional, regional and global levels;
- Utilize the technical, human and other resources available in developing countries and effectively draw on the existing knowledge/skills/capacity within the UN Secretariat;
- Create synergies with other development interventions and benefit from partnerships with non-UN stakeholders.

VII. Methodology

30. The assessment will use the following data collection methods to assess the impact of the work of the project:

(a) Desk review and secondary data collection analysis: of the programme of work of ECLAC, DA project criteria, the project document, annual reports of advance, workshops and meetings reports and evaluation surveys, other project documentation such as project methodology, country reports, consolidated report, webpage, etc.

(b) Self-administered surveys: Surveys to beneficiaries in the different participating countries covered by the project should be considered as part of the methodology. Surveys to co-operating agencies and stakeholders within the United Nations and the countries participating in the project should be considered if applicable and relevant. PPEU can provide support to manage the online surveys through SurveyMonkey. In the case, this procedure is agreed upon with the evaluator, PPEU will distribute the surveys among project beneficiaries to the revised lists facilitated by the consultant. PPEU will finally provide the evaluator with the consolidated responses.

(c) Semi-structured interviews and focus groups to validate and triangulate information and findings from the surveys and the document reviews, a limited number of interviews (structured, semi-structured, in-depth, key informant, focus group, etc.) may be carried out via tele- or video-conference with project partners to capture the perspectives of managers, beneficiaries, participating ministries, departments and agencies, etc. PPEU will provide assistance to coordinate the interviews, including initial contact with beneficiaries to present the assessment and the evaluator. Following this presentation, the evaluator will directly arrange the interviews with available beneficiaries, project managers and co-operating agencies.

31. Methodological triangulation is an underlying principle of the approach chosen. Suitable frameworks for analysis and evaluation are to be elaborated – based on the questions to be answered. The experts will identify and set out the methods and frameworks as part of the *inception report*.

VIII. Evaluation Issues/ Questions

32. This assessment encompasses the different stages of the given project, including its design, process, results, and impact, and is structured around four main criteria: relevance, efficiency, effectiveness, and sustainability. Within each of these criteria, a set of *evaluation questions* will be applied to guide the analysis8. The responses to these questions are intended to explain "the extent to which," "why," and "how" specific outcomes were attained.

33. The questions included hereafter are intended to serve as a basis for the final set of evaluation questions, to be adapted by the evaluator and presented in the inception report.

Efficiency

(a) Collaboration and coordination mechanisms within ECLAC and with other cooperating agencies that ensure efficiencies and coherence of response;

(b) Provision of services and support in a timely and reliable manner, according to the priorities established by the project document;

Effectiveness

(a) How satisfied are the project's main beneficiaries with the services they received?

(b) How much more knowledgeable are the participants in workshops and seminars?

(c) What are the results identified by the beneficiaries?

(d) Has the project made any difference in the behavior/attitude/skills/ performance of the clients?

(e) How effective were the project activities in enabling capacities and influencing policy making?

(f) Are there any tangible policies that have considered the contributions provided by the ECLAC in relation to the project under evaluation?

Relevance

(a) How in line were the activities and outputs delivered with the priorities of the targeted countries?

(b) How aligned was the proposed project with the activities and programme of work of ECLAC, specifically those of the subprogrammes in charge of the implementation of the project?

(c) Were there any complementarities and synergies with the other work being developed?

Sustainability

With beneficiaries:

(a) How did the project utilize the technical, human and other resources available in participating countries?

(b) How have the programme's main results and recommendations been used or incorporated in the work and practices of beneficiary institutions after completion of the project's activities? What were the multiplier effects generated by the programme?

(c) What mechanisms were set up to ensure the follow-up of networks created under the project?

Within ECLAC:

(a) How has the project contributed to shaping / enhancing ECLAC's programme of work/ priorities and activities? The work modalities and the type of activities carried out? How has ECLAC built on the findings of the project?

(b) Has the project managers effectively taken into consideration human rights and gender issues in the design and implementation of the project and its activities?

(c) Has and how has the project contributed to the achievement of the Sustainable Development Goals (SDGs)?

IX. Deliverables

34. The assessment will include the following outputs:

(a) Work Plan. No later than five days after the signature of the contract, the consultant must deliver to PPOD a detailed Work Plan of all the activities to be carried out related to the evaluation of project ROA/290-9, schedule of activities and outputs detailing the methodology to be used, etc.

(b) Inception Report. No later than 4 weeks after the signature of the contract, the consultant should deliver the inception report, which should include the background of the project, an analysis of the Project profile and implementation and a full review of all related documentation as well as project implementation reports. Additionally, the inception report should include a detailed evaluation methodology including the description of the types of data collection instruments that will be used and a full analysis of the stakeholders and partners that will be contacted to obtain the evaluation information. First drafts of the instruments to be used for the survey, focus groups and interviews should also be included in this first report

(c) Draft final evaluation Report. No later than 10 weeks after the signature of the contract, the consultant should deliver the preliminary report for revision and comments by the evaluation team at the Programme Planning and Evaluation (PPEU) of the Programme Planning and Operations (PPOD) of ECLAC and the Evaluation Reference Group (ERG), which includes representatives of the implementing substantive Division. The draft final evaluation report, should include the main draft results and findings, conclusions of the evaluation, lessons learned and recommendations derived from it, including its sustainability, and potential improvements in project management and coordination of similar DA projects.

(d) Final Evaluation Report. No later than 14 weeks after the signature of the contract, the consultant should deliver the final evaluation report which should include the revised version of the preliminary version after making sure all the comments and observations from PPOD and the ERG have been properly addressed or responded to. Before submitting the final report, the consultant must have received the clearance on this final version from the evaluation manager at PPOD, assuring the satisfaction of ECLAC with the final evaluation report.

(e) Presentation of the results of the evaluation. A final presentation of the main results of the evaluation to ECLAC staff involved in the project will be delivered at the same time of the delivery of the final evaluation report.

X. Payment schedule and conditions

35. The duration of the consultancy will be initially for 14 weeks during the months of July-November 2017. The consultant will be reporting to and be managed by the Programme Planning and Evaluation Unit (PPEU) of the Programme Planning and Operations Division (PPOD) of ECLAC. Support to the evaluation activities will be provided by the Statistics Division of ECLAC in Santiago.

36. The contract will include the payment for the services of the consultant as well as all the related expenses of the evaluation. Payments will be done according to the following schedule and conditions:

(a) 30% of the total value of the contract will be paid against the satisfactory delivery of the inception report which should be delivered as per the above deadlines.

(b) 30% of the total value of the contract will be paid against the satisfactory delivery of the draft final evaluation report which should be delivered as per the above deadlines.

(c) 40% of the total value of the contract will be paid against the satisfactory delivery and presentation of the final evaluation report which should be delivered as per the above deadlines.

37. All payments will be done only after the approval of each progress report and the final report from the Programme Planning and Evaluation Unit (PPEU) of the Programme Planning and Operations Division (PPOD) of ECLAC.

XI. Profile of the Evaluator

38. The evaluator will have the following characteristics:

Education

- MA in economic sciences, public policy, development studies, banking, business administration, or a related economic science.

Experience

- At least seven years of progressively responsible relevant experience in programme/project evaluation are required.
- At least two years of experience in areas related to development banking and/or financial inclusion is highly desirable.
- Experience in at least three evaluations with international (development) organizations is required. Experience in Regional Commissions and United Nations projects, especially Development Account projects is highly desirable.
- Proven competency in quantitative and qualitative research methods, particularly self-administered surveys, document analysis, and informal and semi-structured interviews are required.
- Working experience in Latin America and the Caribbean is desirable.

Language Requirements

- Proficiency in English and Spanish is required.

XII. Roles and responsibilities in the evaluation process

39. Commissioner of the evaluation

40. Task manager

→ (PPEU Evaluation team)

- Drafts evaluation TORs
- Recruits the evaluator/evaluation team
- Shares relevant information and documentation and provides strategic guidance to the evaluator/evaluation team
- Provides overall management of the evaluation and its budget, including administrative and logistical support in the methodological process and organization of evaluation missions
- Coordinates communication between the evaluator/evaluation team, implementing partners and the ERG, and convenes meetings
- Supports the evaluator/evaluation team in the data collection process
- Reviews key evaluation deliverables for quality and robustness and facilitates the overall quality assurance process for the evaluation
- Manages the editing, dissemination and communication of the evaluation report
- Implements the evaluation follow-up process

41. Evaluator/Evaluation team

- Undertakes the desk review, designs the evaluation methodology and prepares the inception report
- Conducts the data collection process, including the design of the electronic survey and semi-structured interviews
- Carries out the data analysis
- Drafts the evaluation report and undertakes revisions

42. Evaluation Reference Group (ERG)

Provides feedback to the evaluator/evaluation team on preliminary evaluation findings and final conclusions and recommendations

- Reviews draft evaluation report for robustness of evidence and factual accuracy

XIII. Other Issues

43. Intellectual property rights. The consultant is obliged to cede to ECLAC all authors rights, patents and any other intellectual property rights for all the work, reports, final products and materials resulting from the design and implementation of this consultancy, in the cases where these rights are applicable. The consultant will not be allowed to use, nor provide or disseminate part of these products and reports or its total to third parties without previously obtaining a written permission from ECLAC.

44. Coordination arrangements. The team in charge of the evaluation comprised of the staff of the Programme Planning and Evaluation Unit of ECLAC and the consultant will confer and coordinate activities on an on-going basis, ensuring at least a monthly coordination meeting/teleconference to ensure the project is on track and that immediate urgencies and problems are dealt with in a timely manner. If any difficulty or problem develops in the interim the evaluation team member will raise it immediately with the rest of the team so that immediate solutions can be explored and decisions taken.

XIV. Assessment use and dissemination

45. This assessment seeks to identify best practices and lessons learned in the implementation of development account projects and specifically the capacities of the beneficiary countries to incorporate gender considerations into urban planning the specific area of inclusive finance. The evaluation findings will be presented and discussed to ECLAC. An Action Plan will be developed to implement recommendations when appropriate in future development account projects. The evaluation report will also be circulated through ECLAC's internet and intranet webpages (and other knowledge management tools), including circulating a final copy to DESA, as the programme manager for the Development Account, so as to constitute a learning tool in the organization.

ANNEX 2

SUGGESTIONS FOR SMEs FINANCIAL INCLUSION INDICATORS

46. Over the last two decades, three key aspects in economic development have created the conditions for the development of some basic set of SME Finance indicators. The first aspect is a growing recognition and emphasis on the importance of evidence-based policy, and that policy decisions will achieve better development outcomes if they are informed by reliable, objective and timely data. The second trend is wider recognition of the important role SMEs could play in inclusive economic growth. Third, there is growing evidence that SMEs have been unable to harness this potential in part because of a lack of access and usage of appropriate financial products and services. Thus, **there is broad consensus that reliable, rigorous, objective and timely data on financial access and usage can play a major role in developing evidence-based policies that improve SMEs access to financial services and promote inclusive economic growth.**

47. When quality data is available, and the state of financial inclusion can be assessed objectively, there is a benchmark for crafting effective policies, informed financial inclusion goals and targets. This data also provides policymakers and other stakeholders with a consistent framework for cross-country comparisons, which in turn facilitates peer learning.

48. To meet the need for consistent financial inclusion data across countries, some organizations developed the SME Financial Inclusion Indicators or the SME Finance Base Set, to address the need for standardized measurement of SME financial services.

PURPOSE AND CRITICAL ISSUES

49. The SME Finance Base Set is a limited set of indicators that aims to give a reasonably comprehensive view of the state of financial inclusion for SMEs in a given country, with an emphasis on access to credit. It is intended to be used in conjunction with at least the Core Set of Financial Inclusion Indicators to assess the overall state of financial inclusion in a country. The SME Finance Base Set is intended to facilitate comparability across countries. It must be stressed, however, that comparisons should not be made to set standards or produce rankings, but rather to inform policymaking. To generate deeper insights, the indicators must be used in conjunction with other, more general developmental indicators. Indicators to consider include the number of SMEs, the percentage contribution of SMEs to GDP, the ratio of SME loans to GDP, and the relative size of the workforce in the SME sector compared to the overall workforce.

50. When developing the SME Finance Base Set, the SMEFWG recognized that some definitions and practices are specific to certain countries, and deliberately constructed the indicators to reflect this fact. For example, the definition of SMEs varies from country to country, so the Base Set relies on each country's definition, preferably one set out by law or a particular set of regulations. **This therefore restricts SMEs to formal SMEs that have been registered by a recognized authority or agency.**

51. The SME Finance Base Set addresses the access, usage and quality of financial services for regulated financial service providers only. Although informal financial services are important in the SME finance landscape, the difficulty in consistently measuring the prevalence and use of such services, the lack of regulatory oversight over informal providers and, therefore, the lack of reliable data, convinced the SMEFWG to only focus on regulated service providers.

KEY PRINCIPLES OF THE SME FINANCE BASE SET

52. The SME Finance Base Set is based on the following principles:

Completeness

53. Used in conjunction with the Core Set, the SME Finance Base Set is intended to give a comprehensive picture of the state of access to financial services, particularly credit, for SMEs in a given country. As with other segments, information on the inclusion of SMEs cannot be reduced to one or two data points. In order to craft successful policies and understand the consequences of policy interventions, financial inclusion should be considered within a broader context. The SME Finance Base Set was designed to assist in this process.

Usefulness and relevance

54. Data collection in financial inclusion should always serve a policy purpose, either to inform the formulation of policy or to monitor progress in implementation and assess the impact it is having. The SME Finance Base Set is intended to be useful and relevant for these purposes.

Consistency

55. Since there is no single standard for SME financial inclusion indicators, the SME Finance Base Set offers standardized definitions that allow the indicators to be used consistently across different measurement periods and to be comparable across countries. The impact of policy on access to credit and other financial services can therefore be assessed within a consistent framework and in an objective manner.

56. Since countries are already collecting data using the Core Set, the SME Finance Base Set is designed to be consistent with those sets, without duplicating any data collection efforts. In fact, some of the access indicators of the Core Set have been directly incorporated into the Base Set.

Flexibility

57. National data collection programmes are driven by a multitude of factors, including the country's particular approach to financial inclusion, its goals and targets, policy priorities and regulatory structure and processes. These are, in turn, influenced by the economic, social and cultural realities of each country. The SME Finance Base Set accommodates this diversity by relying on country specific definitions for some key elements, by identifying proxies for some indicators, and by creating room for additional indicators that countries could incorporate in their measurement framework, depending on their specific needs.

Aspiration

58. The SME Finance Base Set provides a holistic view of the state of financial inclusion in the SME space. Therefore, some indicators may not be readily available, as policy imperatives may not have required certain data to be collected. Countries then need to expand their data collection efforts to either gather the data directly or to use alternative, existing sources of data, such as international surveys. Proxy information may also be useful in certain instances depending on the country context. The set can be enriched over time as policies develop and data collection efforts gather momentum with greater institutional capacity. For example, the role of shadow banking (when organizations perform bank-like activities without being subject to banking regulatory oversight) may be an area requiring specific data and indicators. This type of aspirational development will rely on the input of countries to identify new areas of focus, and should lead to a more complete picture of the use of financial services by the SME sector in the future.

DIMENSIONS OF THE SME FINANCE BASE SET

59. The SME Finance Base Set indicators include the three key dimensions of financial inclusion: access, usage and quality of financial products and services. The social and economic impact of greater financial inclusion for SMEs is critically important, but the impact assessment itself is a complex task that requires a much broader set of indicators. For the time being, the SME Finance Base Set does not include everything that may be required for a full impact assessment, but remains an essential tool to assess existing and developing situations.

Access indicators

60. The first three indicators of the SME Finance Base Set are simply the Core Set indicators, as these are equally relevant to SME finance. The fourth indicator recognizes the increasing importance of electronic access to financial services, while the fifth indicator deals specifically with access to credit.

Usage indicators

61. Usage indicators focus on two financial services: a deposit or transactional account in indicator 6 and the active use of credit in indicator 7. In time, the SMEFWG intends to add other appropriate financial services for SMEs to this list.

Quality indicators

62. While reasonable access and usage are necessary conditions for extending financial inclusion, the quality of financial services will in many cases determine whether the increased financial inclusion is beneficial and sustainable. It is therefore crucial that the quality dimension is assessed and policy reforms are introduced if quality standards fall short of the required levels. Indicator 8 measures the extent of public support for SMEs through a specific tool, such as credit guarantee schemes. While the effectiveness of credit guarantee schemes can vary across programs and countries, a well-designed and executed guarantee scheme can help expand access to credit for SMEs and may indeed bring the overall cost of credit down. Indicator 9 measures the risk premium charged to SMEs, calculated as the difference between SME loan rates and corporate loan rates. Indicators 10 and 11 capture the importance of focusing on women-owned (WO) enterprises, which tend to face greater credit constraints in many countries. This is another instance where country-specific definitions need to be applied, as “women-owned” is defined differently in different countries. The Base Set does not impose a definition; countries should use their existing interpretation. Indicator 12 primarily captures the quality of credit risk assessment, but of course also reflects changes in the economic conditions of a country.

Figure 23
Indicators

ACCESS INDICATORS

CATEGORY	INDICATOR	PROXY INDICATOR	MEASUREMENT	NOTE	SOURCE
1 Access points	Number of access points per 10,000 adults		Physical access	AFI Core Set Indicator	Supply side
2 Coverage of access points	Percentage of administrative units with at least one access point		Distribution of access points	AFI Core Set Indicator	Supply side
3 Coverage of access points	Percentage of total population living in administrative units with at least one access point		Distribution of access points	AFI Core Set Indicator	As per Base Set
4 Digital financial access (Digital access to financial services)	Percentage of enterprises with access to digital financial services[5]	Percentage of population with access to digital financial services	Extent of access to digital financial services		Demand-side survey
5 Credit access	Percentage of SMEs required to provide collateral on any existing loan		Tightness of credit conditions	OECD Indicator	Demand-side survey[6]

USAGE INDICATORS

CATEGORY	INDICATOR	PROXY INDICATOR	MEASUREMENT	NOTE	SOURCE
1 Formally banked enterprises	Percentage of SMEs with a deposit account at a regulated financial institution	Number of SMEs with deposit accounts/Number of deposit accounts OR number of SME depositors/Number of depositors[7]	Usage of deposit accounts	G20 Indicator	Demand-side survey[8]
2 Enterprises with outstanding loan or line of credit facilities	Percentage of SMEs with an outstanding loan or line of credit at a regulated financial institution	Number of SMEs with outstanding loans/ Number of outstanding loans OR number of outstanding loans to SMEs/Number of outstanding loans	Usage of loan facilities	G20 Indicator	Demand-side survey

QUALITY INDICATORS

CATEGORY	INDICATOR	PROXY INDICATOR	MEASUREMENT	NOTE	SOURCE
1 SME loan guarantees	SME loan guarantees as a percentage of SME loan (in terms of value)	Number of SME loans with guarantees/ Number of SME loans	Extent of public support for SME finance	OECD Indicator	Supply-side[9]
2 Relative cost of credit	Difference between average SME loan rate and average corporate loan rate[10]		Risk premium charged on SME loans	Based on an OECD Indicator	Demand-side survey
3 Women-owned (WO) SMEs	Percentage of WO SMEs with a deposit account at a regulated financial institution	Number of WO SMEs with deposit accounts/ Number of deposit accounts	Gender equality in SME access to financial services		Demand-side survey
4 Women-owned (WO) SMEs	Percentage of WO SMEs with an outstanding loan or line of credit at a regulated financial institution	Number of WO SMEs with outstanding loans /Number of outstanding loans	Gender equality in SME access to financial services		Demand-side survey
5 Non-performing loans	Percentage of non-performing SME loans: > To total loans > To SME loans		Responsible lending/ Credit-worthiness of SMEs	Based on an OECD Indicator	Supply-side survey

63. Despite remarkable improvements, deficiencies in national-level financial inclusion data continue to present serious problems for the formulation of strategies and significantly lengthen the time required to produce a country-specific strategy of acceptable standards. The same issue also continues to cause implementation problems in the path to changes. The second lesson from past experiences is the need for more intensive capacity building to ensure that those engaged in strategy formulation make optimal use of macro, regional (within country) and sectoral level data on such variables as overall economic growth, sectoral growth, incidence and distribution of poverty and unemployment across various socio-economic and income groups and geographical areas or regions. Such usage can significantly improve the quality of national strategies at entry and also during implementation. The link to such data is particularly important for interim and end-of completion impact assessments of the strategies. Presently, the current capacity building that is provided on data and measurement in the strategy process does not seem to address this issue adequately.

64. Most policymakers and technical staff within central banks and other regulatory institutions show a bias to rely too heavily on financial sector related data and overlook the underpinning real sector performance. This reduces the ability to get deeper insights on many issues related to multiple dimensions of financial inclusion/exclusion problem. There is also a need for deeper analysis of gaps in research on financial inclusion at country-level and to encourage research departments of central banks in particular, to engage their staff to carry out policy oriented research in this area. Country-specific research is of vital importance. Such research is likely to throw more light on many issues that strategy formulation teams often have to grapple with. For example, there is little national level research on the relationship between financial system structure and financial inclusion, and how emerging new technologies are affecting this relationship. Improving operational links between research staff of central banks and those closely involved in strategy formulation and implementation would be beneficial. Communication between these two groups seems to be inadequate.

65. Another lesson is the need to substantially improve the quality of diagnostic studies, which determines the overall quality of any financial inclusion strategy. It is not difficult to find diagnostic studies offering a laundry list of bottlenecks rather than a short list of most binding constraints on financial inclusion based on a thorough analysis carried out using appropriate tools. Diagnostics of poor quality offer little help for the strategy formulation teams to determine priorities, among other things.

66. It is also necessary to examine whether countries have a tendency to embark on overambitious strategies and are not paying adequate attention to aligning the scope of their strategies with binding constraints, resource availability and institutional capacity to implement them. Implementation cannot and should not be considered separately from formulation – if they are, countries risk their strategies failing. At formulation stage, implementation considerations must be brought to bear upon the overall strategy as much as possible. Most strategies tend to overlook the fact that a strategy by definition is about "choosing what to do and what not to do." Choosing priorities correctly has a profound impact on implementation performance. A vital lesson is to make concerted efforts to substantially upgrade the quality of diagnosis and put much greater accent on prioritization. The emerging pressures to link financial inclusion with achievement of sustainable development goals will certainly reinforce the need for high quality diagnostic studies and prioritization to underpin the strategy process in a more meaningful way.

67. The role of cognitive factors in strategy formulation and implementation also merits attention. Most behavioral scientists/economists argue that top-level policymakers tend to be over-optimistic in planning or formulating major initiatives and tend to exaggerate the benefits and discount the costs and risks. An issue of paramount importance in the efforts to improve the strategy process is to ascertain to what extent this is the case with the formulation and implementation of NFIS. Measures may be needed to minimize potential risk of the cognitive biases. Another issue is the inadequacy of reliable data and information on implementation practices. More detailed data and evidence on implementation practices in different country contexts would be extremely valuable for peer learning on the subject. How do political economic factors influence implementation? What are the

actual country experience on this? How do countries manage the increasing pressure being exerted by political economic factors? Attempts to focus on these questions will provide insights to improve the practices used in the strategy process. However, as one would expect, there is also tremendous diversity in the strategy practices and they continue to evolve. The prevailing and continuing diversity is undoubtedly fertile ground for peer learning, and to some extent reflects “practice gaps” in the current state of knowledge. These gaps cannot be explained entirely by the differences in country contexts. It seems that financial inclusion policymakers in general, and the FISPLG members in particular, should focus not only on “knowledge gaps” but also on “practice gaps” to effectively achieve their objectives.

68. Despite impressive progress in recent years, the improvement of NFIS practices remains unfinished business and a significant challenge. However, the most positive factor in the current environment appears to be the continuing high-level of commitment and willingness that is visible among financial inclusion policymakers across countries to learn from their peers and make improvements.

ANNEX 3

SOME HYPOTHESIS FOR INNOVATIVE INSTRUMENTS

69. Broadening the finance options available and accessible to SMEs is a key challenge for policy makers in the quest for fostering their development and sustaining the most dynamic enterprises, in a credit constrained environment. It also represents a long-term challenge to improving the SMEs' capital structure and investment capacity, and reducing their over-reliance —and vulnerability— to the traditional lending channels.

70. Below an overview of alternative instruments for SME external finance over the broad risk/return spectrum is resented: it suggests that there exist opportunities to tap increasingly complex and interconnected financial markets to service the needs of a highly heterogeneous SME sector. This is an opportunity that development banks: enlarging their range of financing options for the different needs of SMEs over their life cycle could increase their action space; even though some of these options are still at an early stage of development or, in their current form, are accessible only to a small share of the SME population, nevertheless it will be the most credible strategic option for LAC development banks to really stamp their mark on the sector and in the same time show to private commercial banks that the SMEs financing sector could be not only profitable but also innovative.

THE RANGE OF ONSTRUMENTS

71. **Asset-based finance** is a widespread form of finance for SMEs, to monetize the value of specific assets and access working capital under more flexible terms than they could from conventional lending channels. As firms obtain funding based on the value of specific assets, including accounts receivables, inventory, machinery, equipment and real estate, rather than on their own credit standing, asset-based finance can serve the needs of young and small firms that have difficulties in accessing traditional lending, because they are informational opaque, lack credit history or face temporarily shortfalls or losses.

72. In its long-established forms of factoring and leasing, asset-based finance is widely used across many countries. In European experience, the relevance of these instruments for SMEs is on par with conventional bank lending, and the specific financial segment has grown steadily over the last decade, in spite of repercussions of the global financial crisis on the supply side. Factoring and leasing are also broadly diffused across emerging economies, and increasingly so in supply chain arrangements and cross-border activities. Their diffusion is favored by less stringent requirements, in terms of an efficient legal and judicial system, than traditional and asset-based lending.

73. Indeed, a weak legal environment can be an important constraint to the development of asset-based lending, which has mainly taken place in economies characterized by a solid framework for the protection of secured interests and efficient bankruptcy laws. In fact, in countries where this form of financing had already developed, its demand by SMEs has significantly increased in the aftermath of the 2008-09 global financial crisis, as awareness rose and access to other financing channels have become more difficult, and also as a consequence of regulatory changes.

74. **Alternative debt** differs from traditional lending, in that investors in the capital market, rather than banks, provide the financing for SMEs. These include "direct" tools for raising funds from investors in the capital market, such as corporate bonds, and "indirect" tools, such as securitized debt and covered bonds, whereby banks can access lower-cost funding on capital markets and extend SME lending.

75. Across OECD countries, the corporate bond instrument, which can serve the needs of medium-sized companies, providing an injection of liquidity to undertake investment and seize growth opportunities, has had only limited diffusion in the SME sector. However, in the aftermath of the global crisis, as other traditional financing sources dried up, the potential for a bond market for the larger segment of the SME sector is starting to be recognized by entrepreneurs and investors. At the same time, this remains an area in which lack of knowledge and awareness by entrepreneurs still represents a major barrier to development.

76. In some countries, the regulatory framework allows private placements of corporate bonds by unlisted companies, which are subject to less stringent reporting and credit rating requirements. However lack of information on issuers, lack of standardized documentation, illiquid secondary markets and differences in insolvency laws across industry players and jurisdictions currently limit the development of these markets.

77. Debt securitization and covered bonds are instruments for the refinancing of banks and for their portfolio risk management, which have developed at a high pace in the past decade. However, in the wake of the financial crisis, they have come under scrutiny and criticism, as one major driver of risk leveraging and financial instability. Although it was not at the core of the financial turmoil, SME loan securitization, which had started to expand just before the crisis, came to a halt or decreased significantly, affected by contagion in financial markets and in public perceptions. Over the last few years, however, it has attracted renewed attention by policy makers and financial authorities, as an important instrument to foster SME lending.

78. **Crowdfunding** has grown rapidly since the mid of the 2000s, and at an increasing rate over the last few years, although it still represents a very minor share of business financing. While the pace of technological developments has enabled a rapid diffusion of crowdfunding, the regulatory environment has limited a broader adoption, especially for securities-based crowdfunding, which is still not legal in some countries. Hence, in recent years, crowdfunding has been the object of important regulatory attention in some OECD countries, which have aimed to ease the development of this financing channel, while addressing concerns about transparency and protection of investors.

79. **Hybrid instruments** combine debt and equity features into a single financing vehicle. These techniques represent an appealing form of finance for firms that are approaching a turning point in their life cycle, when the risks and opportunities of the business are increasing, a capital injection is needed, but they have limited or no access to debt financing or equity, or the owners do not want the dilution of control that would accompany equity finance. This can be the case of young high-growth companies, established firms with emerging growth opportunities, companies undergoing transitions or restructuring, as well as companies seeking to strengthen their capital structures. The development of hybrid instruments has been uneven across OECD countries and has mainly concerned mid cap companies, with established and stable earning power and market position. In recent years, with the support of public programmes, it has become increasingly possible to offer hybrid tools to SMEs with lower credit ratings and smaller funding needs than what would be the practice in private capital markets. Governments and international organisations mainly intervene through: i) participation in the commercial market with investment funds that award mandates to private investments specialists; ii) direct public financing to SMEs under programmes managed by public financial institutions; iii) guarantees to private institutions that offer SMEs the financial facility and; iv) funding of private investment companies at highly attractive terms.

80. **Equity finance** comprises all financial resources that are provided to the firms in return for an ownership interest, including public instruments, whereby equity shares are traded in some form of stock exchange, and private equity tools, which concern unlisted companies. Equity investors do not receive any security from the investee company and their return is entirely determined by the success of the entrepreneurial venture. At the same time equity investment implies that the entrepreneurs is willing to dilute ownership and accept some degree of control on the business and, particularly in

the case of private equity, investors' direct engagement in the management. Equity markets are key for companies that seek long-term corporate investment, to sustain innovation, value creation and growth. Equity financing is especially relevant for companies that have a high risk-return profile, such as new, innovative and high growth firms. Seed and early stage equity finance can boost firm creation and development, whereas other equity instruments, such as specialized platforms for SME public listing, can provide financial resources for growth-oriented and innovative SMEs. For decades, private market participants and officials have been seeking to encourage the development of public SME equity markets. However, since the late 1970s, a large number of SME exchanges have been created which failed to attract sufficient companies for listing or to achieve sufficient trading to maintain active markets. Difficulties include high listing and maintenance costs, administrative and regulatory burden for SME, but also the lack of an equity cultural and inadequate management practices in small businesses. On the investor side of the market, high monitoring costs relative to the level of investment and low levels of liquidity act as an important deterrent to public investment in SME equities. In addition, recent market practices that reduce economic incentives for intermediaries may have inhibited the development of SME equities, which require constant support through marketing and capital commitment.

81. In some countries, government policies mobilize retail investment to address the lack of liquidity in SME equity markets and recent regulatory developments recognize that these platforms may require specific regulation and infrastructure, such as looser listing and disclosure requirements and lower fees than in the main market. In this regard, a key challenge is to achieve a right balance between greater flexibility and lower costs for SMEs and due diligence, to preserve market integrity, transparency and good corporate governance.

82. **Venture capital and angel investing** are especially aimed at supporting pre-launch, launch and early stage development phases, and typically target a small pool of high-growth potential companies, with the capacity for high returns in a short time frame. The two forms are however characterized by different motivations, stage of investment, scale and operating models. Business angels invest their own money, rather than collecting funds from a variety of investors, focus mainly on the seed and early stage, contrarily to venture capitalists' increasing focus on later stages, bring into the venture their own entrepreneurial skills, expertise and networks, with a more hands-on role in the company than venture capitalists, invest smaller amounts per deal, including in non-high-tech fields and in more dispersed areas than venture capital funds. The two markets are however highly complementary. Business angels need a well-functioning VC market to provide the follow-on finance that some of the businesses they support will require. At the same time, a well-developed angel market can create more investment opportunities and increase the deal flows for VCs.

83. Across many countries, venture capital and angel investing have increased substantially over the last decades, but were severely affected by the financial crisis, which has had the effect of reducing exit opportunities for investors. In particular, the role of stock markets as a destination for growth companies has decreased, as reflected in the falling number of Initial Public Offerings (IPOs), especially in OECD economies. Indeed, a significant shift has been observed in fundraising through IPOs in equity markets. In response, policy makers have placed increasing attention on these equity markets, as a way to mobilise financial resources and entrepreneurial expertise towards innovative ventures. The policy mix has been largely composed of supply-side measures, such as tax incentives, direct investment and co-investment, support to industry networks and associations, to increase visibility and scale and favour match-making with entrepreneurs. To a lesser degree, policies target also training, mentoring and coaching for investors. As in the case of other instruments, the demand side has received less policy attention and resources, although countries are increasingly implementing measures that target the skills of existing or would-be entrepreneurs.

KEY CHALLENGES AND POLICY IMPLICATIONS

84. Across the range of instruments analysed, the report underlines common obstacles for the SME sector to fully reap the benefits of a more diversified financial offer. For policy makers and stakeholders, addressing these challenges is crucial if the increasingly complex financial system is to serve the needs of the real economy.

85. First, SME skills and strategic vision are a key ingredient to any effort to broaden the range of financing instruments. The limited awareness and understanding about alternative instruments on the part of start-ups and SMEs have limited the development of these markets. It is not only a matter of increasing knowledge about individual instruments, but also supporting SMEs in developing a long-term strategic approach to business financing, that is, understanding how different instruments can serve their different financing needs at specific stages of the life cycle, the different advantages and risks implied, and the complementarities and possibility to leverage these sources.

86. It is also necessary to improve the quality of start-ups' business plans and SME investment projects, especially for the development of the riskier segment of the market. In many countries, a major impediment to the development of equity finance for young and small businesses is the lack of "investor-ready" companies.

87. Furthermore, SMEs are generally ill-equipped to deal with investor due diligence requirements. Indeed, an increasing concern about the lack of entrepreneurial skills and capabilities and low quality of investment projects is driving more policy attention to the demand side, although supply-side policies are still prevalent. This includes measures such as training and mentoring.

88. The regulatory framework is a key enabler for the development of instruments that imply a greater risk for investors than traditional debt finance, from asset-based finance to equity financing. Thus, designing and implementing effective regulation, which balances financial stability, investors' protection and the opening of new financing channels for SMEs, represents a crucial challenge for policy makers and regulatory authorities. This is especially the case given the rapid evolution in the market, resulting from technological changes as well as the engineering of products that, in a low interest environment, respond to the appetite for high yields by financiers. New financing models are emerging that may engage relatively inexperienced investors, such as in the case of crowdfunding, or in which the misalignment of incentives may place at risk the stability of the system, which is made more vulnerable to risk by an increased interconnectedness of financial markets.

89. Securitisation is a case in point in this regard. Recent regulatory initiatives address pitfalls brought to the fore during the global financial crisis, such as the misalignment of interests between originators and investors and of regulatory capital with credit risk, as well as the lack of due diligence by investors. However, regulatory reforms intended to make the financial sector safer are perceived to be unduly onerous by many investors, who are withdrawing from the market. Also, the lasting uncertainty arising from expected regulatory revisions creates disincentives to investors and hampers the re-launch of the market. Certainty is part of a sound regulatory framework for investors.

90. Also, efforts should be made to foster the wider use of public equity for SMEs, which is currently held back by high costs, regulatory burdens, lack of liquidity and trading practices that create disincentives for intermediaries. The right balance between administrative and regulatory burden and due diligence needs to be achieved, so that the flexibility provided to SMEs does not compromise investor protection, integrity of market participants, corporate governance or transparency. It is important for policy makers to incentivise capital market participants to take a longer-term approach, and offer additional services to growth-oriented entrepreneurs. Creating the right ecosystem for public equity for SMEs will also support the development of other, non-traditional SME equity instruments such as equity private placements, equity crowdfunding, listed funds (with potential co-funding and risk sharing between the private and public sectors), and corporate venturing.

91. Addressing information asymmetries and increasing transparency in the markets are other priorities to boost the development of alternative financing instruments for SMEs. Information infrastructures for credit risk assessment, such as credit bureaux or registries or data warehouses with loan-level granularity, can reduce the risk perceived by investors when approaching SME finance and help them identify investment opportunities. Reducing the perceived risk by investors may also help reduce the financing costs, which are typically higher for SMEs than for large firms. The higher risks and costs stem from the large heterogeneity and opacity of the SME sector, with entrepreneurs often less prone, willing or able to share risk-sensitive information.

92. In some countries, policies seek to address the information gap between SMEs and potential investors by facilitating their direct interaction, with different degrees of public engagement, from awareness campaigns to brokerage and match-making. In the business angel market, for instance, public action has largely aimed at improving information flows and networking opportunities between financiers and entrepreneurs. In some cases, however, the facilitation efforts have not produced the desired results, due to the lack of maturity of local markets, i.e. little scale or lack of investor-ready companies. This further highlights the need for a policy mix that takes into account existing limitations on both the supply and the demand side.

93. For some hybrid or equity instruments, policy makers also face the challenge of kick-starting the offer for SMEs, or extending it to SMEs with lower credit ratings and smaller financial needs than those usually served by private investors, while ensuring long-term sustainability. In the aftermath of the global financial crisis, as private investors withdrew from some market segments, public policies have also aimed at sustaining these markets, with governments stepping in to fill, at least in part, the financing gap for innovative or growth-oriented enterprises. As a result, the public share of funding in these higher risk segments has significantly increased. A key challenge now is to leverage private resources and develop appropriate risk-sharing mechanisms with private partners.

94. In spite of their growing importance for financiers and SMEs, evidence on the use of these various tools by SMEs, and how they respond to their needs, is currently patchy. The lack of hard data on non-debt financing instruments represents an important limitation for the design, implementation and assessment of policies in this area. This limitation is particularly critical when seeking to take account of SME heterogeneity in the process of policy design. Micro data and micro level analysis are essential to improve understanding about the different needs of the SMEs sector and may help to better understand the potential and challenges of new business models emerging in the financial sector.

CHANGING ATTITUDES

95. The emergence of alternative financing structures is a positive development for increasing the availability of adequate and aligned capital for impact enterprises in Latin America. Given the compelling reasons for innovation in alternative financing structures and the existence of viable models currently being used, action can be taken to ensure continued innovation and broader adoption.

96. **Foster the systematization of structures.** The emerging alternative structures are tailored variations of the models presented above. The bespoke nature of the structures constitutes their strength, as they can adapt to specific contexts. However, it also constitutes a drawback in terms of the ease of building and marketing such structures. This creates higher transaction costs and makes alternative structures more time consuming to execute. This issue is even more salient among institutional investors who seek structures that fit within predefined investment policies. Even an emerging consensus around terminology would help the use of specific structures, as it would put investors and entrepreneurs in a better position to compare the various alternatives. While too much standardization could defeat the purpose of having a menu of customizable structures, a framework approach could help. Some practitioners have suggested the creation of a flow chart or decision tree that directs the user toward the most appropriate structure by stage of enterprise, path to profitability, sector, seasonal consistency of revenues, and other characteristics. It is likely that over time, from the existing experimentation, a

few main structures will emerge that are broadly suitable for a variety of contexts, leading to higher familiarity, as discussed below, and reduced transaction and structuring costs.

97. **Socialize the success stories.** Entrepreneurs and investors are less familiar with success stories in alternative financing than with the more broadly celebrated traditional exits. This perpetuates the narrative, in particular among entrepreneurs, that equates success with a traditional venture capital round of financing, regardless of whether that is what is most suited for the enterprise. The field would benefit from broader dissemination of success stories, including the terms that were used for each case, and why it was both beneficial for the investors and the enterprises. Such sharing can also help to identify innovations to improve fund economics, systematize or standardize processes and procedures, and strengthen the capacity of fund managers, all while educating entrepreneurs and investors on the benefits of implementing these structures.

98. **Increase familiarity among entrepreneurs.** Many entrepreneurs are not familiar with alternative financing structures, even where they would benefit from them. In many instances, venture capital models are the default for impact entrepreneurs seeking risk capital due to this lack of familiarity. Accelerators and advisors rarely feature or highlight alternative financing options in their work with early-stage and growth-stage impact enterprises. This shortcoming can be addressed through targeted communication about alternative financing structures and through strengthening education programs available to entrepreneurs. A potential avenue is the development of curriculum modules focusing on alternative structures for accelerators.

99. **Increase familiarity and comfort among limited partners and fund managers.** Fund managers willing to adopt alternative deal structures across a fund, and even use alternatives to the closed-end fund structure, report concerns that using nonstandard structures will make the fundraising process harder. This is attributed in part to investors being less familiar with and less eager to engage with the alternatives. Educating investors and lenders, as well as fund accelerators and other intermediaries on the opportunity for investing in funds that pursue alternatives can meaningfully address the fund managers' concern.

100. **Finance and fund more funds with a defined mandate around alternative structures.** There is a growing community of limited partners that have experimented with alternative financing structures through direct deals who may be particularly interested in managers that apply them throughout a fund. Limited partners could commit to anchoring new funds willing to implement alternative structures. This in turn would make more prospective fund managers willing to focus on the most adequate structure for a particular reality, rather than the perceived ease of raising a more conventional fund. Such a comfort-generating soft commitment to invest could take place either as an individual limited partner initiative, or as a concerted effort of a consortium of limited partners investing directly into funds or through a fund of funds or holding company of funds.

101. **Contribute to the conceptualization of a separate asset class.** What is now considered traditional venture capital and private equity was deemed esoteric until just a few decades ago. It was only when these investments consolidated into an asset class that a dramatically higher amount of capital started to flow to them. At that point, institutional investors were able to fit private equity deals into their investment policy statements. It is easy to envision a similar path for alternative deal structures, were they to be systematized into a set of opportunities with similar characteristics. This would enable investors to compare alternatively structured deals among themselves, rather than pooled with traditional venture capital terms. The benefits of this possibility should be kept present as the field seeks to systematize terms. The creation of an asset class around alternative structures would further contribute to the point highlighted just above, as more investors would be able to fit their mandate to invest in alternative structures into a separate allocation bucket corresponding to the alternative structures asset class.

102. **Support policies and regulatory initiatives that encourage alternative structures.** While policy makers have an important role in stimulating and directing investment, rarely have they proposed laws, regulations, and programs that support alternative financing structures for impact enterprises. Policy efforts have been fundamental in directing funding for social and environmental outcomes, for example, by providing tax incentives to charitable contributions from corporations and individuals. They have also benefitted capital flows to early-stage businesses to stimulate entrepreneurial growth. For example, several governments have instilled tax incentives for early-stage investments. However, these tax advantages are based on a traditional venture capital model aimed at profit maximization and do not lend themselves to alternative financing structures —even where such structures further the purpose of the underlying policy. The venture capital industry has also successfully influenced regulators. To illustrate this, in the United States, exemptions were granted to investment advisor registration at the federal level for funds pursuing a "venture capital strategy." But investors, particularly asset owners, can do more to influence policy makers or to propose policies for innovations in financing structures. Along with other field builders, investors could also play a role in supporting the work of lawyers and academics exploring bottlenecks and areas of policy improvement. An enormous opportunity exists for government agencies and policy makers to join investors and financial intermediaries to explore, incentivize, test, and even fund alternative financing structures for impact enterprises. For example, public finance institutions such as development banks can do more to de-risk these financing innovations, thus gradually crowding-in private investment. Increased coordination across jurisdictions could lower existing barriers and signal the support of governments and regulatory agencies for such alternatives.

103. **Coordinate efforts**. Several efforts have emerged to advance innovation and adoption of alternative structures. Even though different approaches are a welcome contribution and can themselves spur innovation in methodologies, coordination among the various players exploring alternative structures can increase efficiency and avoid duplication of efforts.

ANNEX 4

SOME HINTS FOR THE FUTURE OF FINANCIAL INCLUSION IN THE REGION

104. Any type of intervention toward increased financial inclusion should take into account the rapidly evolving of financial environment, with specific attention to main “drivers of change”, that is the instruments and / or behaviors that can shape the future. The first driver of change is the exponential growth of a set of technologies that are converging toward new business models that are challenging the modern-day financial services industry. The most important technologies for the dynamics of the financial services industry are: cloud computing, robotics, distributed ledger technologies (DLTs) (also known as block chain), virtual currencies, biometrics, artificial intelligence and advanced analytics, the Internet of things, virtual-augmented reality, and advanced identity management methods. These technologies are powerful in stimulating challenge because they enable business models of entry that require very little investment.

105. The second driver is the change in customer preferences. Consumers had grown accustomed to their experience in other digital spaces. They now expect a satisfying digital experience and services that are free, personalized, and easy to use (“me-easy-free-now” customers). In exchange, customers are willing to give away their information. This new attitude poses a challenge to both incumbents and entrants to develop business models that can exploit the new huge amount of information: the use of this information to balance asymmetry information typical of A2F for SMEs is a challenge. New and improved products, processes, and business models based on the use of digital information will reduce the costs of dealing with asymmetric information and will expand the set of firms and individuals that can access credit. The lack of perfect information about a borrower’s ability and willingness to pay results in an increase in lending spreads, thus limiting access to financing. This problem is particularly acute for SMEs. Traditionally, there have been two ways to deal with imperfect information about borrower’s characteristics: improving the quality of information and requiring collateral. The problem is that both are costly activities.

106. The third driver of change is the set of new financial regulations put in place in the wake of the financial crisis. New regulations have been implemented in two key domains: Systemic risk and consumer protection concerns. Expected effects are lower margins (ROE) on most financial products based on balance sheet intermediation. Things will get worse as the implementation of Basel III becomes generalized. These regulatory changes have imposed costs on financial institutions, which, in turn, are directly transferred via prices and rates to financial consumers.

107. **In summary, emerging business models are taking advantage of new technologies, changing demographics and consumer behavior, strong network effects, regulatory changes, and underserved market segments**. New firms are challenging the traditional financial services industry. Although these developments are still recent, there is consensus among experts and market participants that they will have important effects on the financial services industry and, therefore, on the way firms can access productive financing.

108. Innovative firms are often seen as drivers of economic growth and this concept continues to motivate economists and policy makers to encourage businesses to innovate. Innovation promotion is an especially relevant policy agenda for middle countries that is the case of most LAC countries. In these countries, efficiencies from sectoral shifts and resources/labor reallocation have been achieved. Further growth must come from productivity growth driven by innovation or competition. LAC suffers from too little competition and not enough innovators. The fact that innovative SMEs are found to be hindered by poor governance is a caution of the potential harmful implications of a poor governance climate

onto growth. An enabling environment is important for promoting entrepreneurship, innovation to occur, increasing productivity, and also boosting growth. Regulatory impediments are major disincentives to entrepreneurship. Other comparative studies have also noted the more challenging business climate in LAC compared to other regions. Not only is boosting innovation important for the region, but LAC is also home to a large proportion of SMEs. An understanding of challenges facing SMEs, and especially their innovation activity is important. Creating an enabling environment involves many pillars, but one that cannot be ignored is the role of governance and institutions.

109. The new business models of financial intermediation and capital markets organization, emerging from the adoption of convergent technologies, facilitate access to finance by SMEs and unbanked individuals, resulting in positive incentives for firms' formalization and financial inclusion. The following points support this view:

- New-entrant market lenders, with alternative intermediation models and advanced credit scoring techniques, are challenging traditional incumbent banks and pushing the financial services industry toward lowering lending spreads. They are also expanding the set of bankable firms and individuals.
- The use of e-commerce, e-payments, and other digital channels allows firms and individuals to create a credible and transmissible digital history or identity. These data can be fed into artificial intelligence-based credit score engines that deliver more accurate credit assessments. These improved processes reduce asymmetric information between borrowers and lenders, facilitating access to financing. Furthermore, the increased benefits of having a digital history or identity are driving more firms and individuals toward formalization and financial inclusion.
- New techniques and procedures to handle collateral, supported by block chain-based registries, are making the use of collateral more efficient, cheaper, and more secure. This allows an expansion on the use of collateral and, hence, an enlargement of the firms that can access credit.
- More efficient, secure, and cheaper capital markets, organized around block chain-based networks, could will free up bank capital that can be reallocated toward the lending space.
- Other improvements in payments, reporting and compliance, insurance, trade finance, and other financial domains will result in a more efficient financial services industry.

110. Recent cross-country studies show that financial inclusion increases economic growth up to a point. Greater access of firms and households to various banking services, as well as increasing women use of these services, lead to higher growth. Further, sectors dependent on external finance can grow more rapidly in countries with greater financial inclusion. However, the marginal benefits for growth wane as both inclusion and depth increase. As such, these benefits could be low, and even negative, for some more economies. Moreover, new evidence shows that financial stability risks increase when access to credit is expanded without proper supervision. Financial buffers decline with broader access to credit, other things being equal. In countries with weaker supervision, the erosion of buffers is larger. On the other hand, countries with strong supervision could see some financial stability gains from higher inclusion. The existence of large supervisory gaps across the region countries, signals the potential risks to financial stability from an unchecked broadening of access to credit / financial inclusion. Overall, financial inclusion can meet multiple macroeconomic goals, but macroeconomic gains could wane as both financial inclusion and depth increase, as there are trade-offs with financial stability. It means then that the efforts to improve access to finance should always be complemented by specific intervention at regulatory level, especially with the central banks and the bank control systems.

111. Considering that the challenges of ensuring sustained development in a more globalized and possibly more turbulent world are likely to mutate, giving rise to complexities that may have little to do with the traditional challenges of the past, Latin American and Caribbean policy makers will face in the years to come a range of novel issues for which they need to prepare. To chart LAC's financial

development going forward requires, on the one hand, a careful stocktaking of where the region's financial systems are now with respect to their development dimensions (as regards depth, diversity, access, degree of internationalization, and so forth), as well as to the enabling institutional and regulatory environment. On the other hand, it calls for a reassessment of the financial development paradigm that has been in effect to date. As the global crisis has demonstrated, the reassessment needs to take into account two fundamental themes: that the financial development process itself can lead to financial instability and that, to avoid such instability, the relationship between financial markets and the state needs to be reframed.

112. Both of these themes are of significant and increasing relevance to LAC. The region's financial systems are experiencing strong expansion pressures, not least owing to surging capital inflows, and this situation poses risks of financial excesses and bubbles—the "dark side" of financial development. In turn, this pressure raises the premium on the quality of financial development policies, thereby highlighting the need for a more effective complementation between the role of markets and that of the state.

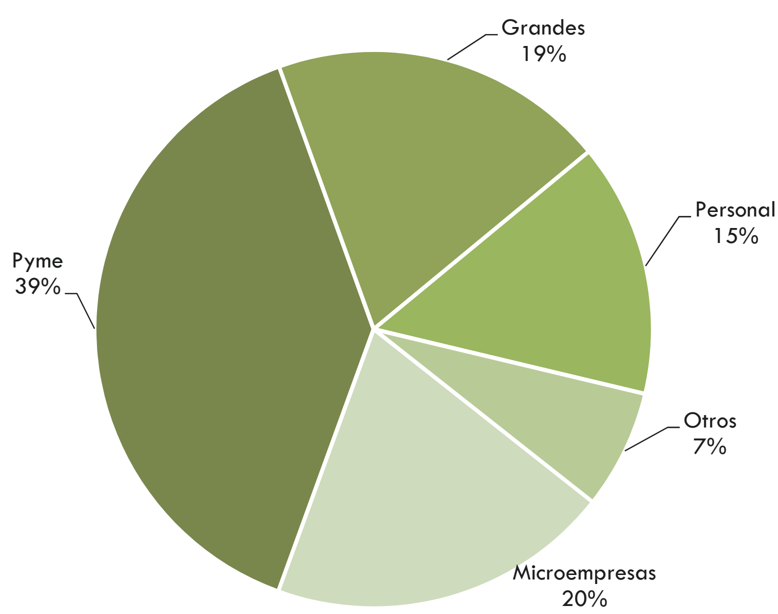
113. In putting forward a financial development agenda, understanding the trade-offs between financial stability and financial development is key. While much has been written on stability issues since the global financial crisis, very little has been said on the links between stability and development. Indeed, despite such efforts as the establishment of the Financial. Stability Board and the G-20, the international financial architecture is still exclusively focused on financial stability and is thus clearly unable to tackle the issues at the interface of financial development and financial stability. Finding the right balance between these two dimensions —a global challenge— takes on special characteristics in LAC. The current broad regulatory perimeter, innovation-cautious oversight has served the region well. However, some realignment may be needed as financial systems continue to mature and the intensity of cross-border competition increases. The more room LAC opens for markets to play and innovations to be introduced, though, the more it will need to rely on a well-targeted ex ante internalization of systemic risks and an ex post capacity to provide liquidity and absorb risks. The current developmental gaps are likely to complicate finding the proper trade-off, not least because they might feed resistance to the regulatory tightening associated with Basel III.

114. This trade-off is particularly important in promoting the nexus of finance and growth. It will involve the question of how to promote the "bright side" of financial development (more financing activity that spurs innovation and growth) without generating further problems with the "dark side" (the facets of financial activity that may engender "excessive" risks and may lead to crises). In LAC, with its large developmental gaps, one could take the view that the region is far from reaching a threshold where finance might be harmful (rather than beneficial) to growth, should one exist. Taking this view too strongly, however, would be unwise, given the growing interconnectedness and globalization of LAC's financial systems.

115. Moreover, one can also argue that potential perils down the road should guide current policies. It is worth emphasizing that in LAC (and in other regions as well), the causality between finance and growth appears to be a two-way street. LAC's financial development gaps in part reflect the mediocre growth of the past. Therefore, much of the improvement of the regional underperformance in finance needs to take place outside finance, particularly in the growth, productivity, and competitiveness arenas. The history of mediocre growth also implies a need to focus more on financial policies that can help promote growth, as the latter will in turn help resolve the region's financial development gaps. The largest fraction of the banking gap simply reflects LAC's turbulent history. Even though much time has passed, LAC has not yet fully recovered from the repeated credit crashes of its past. Past turbulence also accounts for banks' still-high interest margins, high capital and liquidity buffers, and high profitability. The main policy lesson here is that financial sustainability is the name of the game. The long-run costs of financial crashes are too large to be taken lightly. The spotlight is thus squarely on macro-prudential policy and good systemic prudential oversight.

116. In assessing future options facilitating the consolidation of project's results, it is worth analyzing quickly the present status of Development banks portfolio. In terms of the composition of the loan portfolio according to the size of the companies, MSMEs represent a priority for development banks in the region, which allocate 59% of their portfolio (39% for SMEs and 20% for microenterprises). Large companies represent only 19% of the credit portfolio of these institutions according to ALIDE Report 2017. In more detail, in Costa Rica the SBD portfolio is very concentrated in the segment of microenterprises (73%) and small companies (25%); in 2017, 41.5% of BNDES disbursements went to MSMEs, while in FINAGRO in Colombia the percentage was 48.4% and in BANCOLDEX it was 49.1%; in COFIDE (Peru) SMEs absorbed 12% of the loan portfolio; in the CFN of Ecuador, direct operations surpassed the second-tier portfolio for SMEs, which represented only 12%; at Bancomext, the portfolio for SMEs focused on financing (40.9%), guarantees (32.4%) and letters of credit (22.9%). In summary, the segment of smaller companies receives special attention from banks in the region, which offer them relatively similar products (in particular, financing and guarantees). As smaller companies have a specific profile of debtors, generally more fragile than large companies, the consequences for in for the balance sheet of development banks should be duly taken into account. In this regard, three factors should be mentioned. The first is that, like all financial institutions, these banks need to have a sufficient capital base to ensure their reproduction; to comply with banking supervision standards and policy guidelines, and to provide services to their market segments. For this purpose, it is essential that the assets and liabilities be aligned in the structure of the balance sheet, especially in terms of interest rates and terms. Second, the pursuit of profitability, even if goals of maximization are not necessarily pursued, and a dividend withholding policy consistent with the capital base sought are relevant and necessary. Third, protection against credit risk is essential. This protection can take different forms - provisioning level, access to guarantee funds, shared risks and operation as a second level banking institution, among others - but all of them require a great capacity for risk assessment of projects and clients. It is possible that there are discrepancies among the multiple factors that determine the orientation of the capital policy of the development banks, but these can be predicted and properly weighted, provided that the following conditions are met: i) that the structure and source of financing be stable and predictable, ii) that the scale and objectives are consistent with the demand that these institutions aspire to meet and iii) that the instruments are suited to this demand profile.

Figure A
Distribution of LAC DB portfolio (source: ALIDE report 2017)



117. Moreover, some national and international bodies have started to warn that innovation in financial services and the entrance of new agents require central banks and super-intendencies to establish a regulatory environment that adapts to this new reality, without jeopardizing financial stability. The regulatory tensions between financial inclusion and stability have grown as a result of the international financial crisis, and this might lead regulators to implement more conservative measures, as has happened in the region. The main challenge will be finding a balance between fostering inclusion and guaranteeing the stability of the financial system. With respect to financial consumer protection, we have seen that the majority of countries have some type of consumer protection framework, although a smaller number have a framework of reference for financial services. In general, there are no effective mechanisms for supervising and applying the legislation. The regulating the new instruments for financial inclusion is then essential for their proper functioning.

118. Taking into account the different dimensions would require a coordinated effort by the different players in each dimension. It is also worth emphasizing that formal and informal financial markets coexist on a daily basis throughout the region, particularly for credit. Despite the greater flexibility of procedures and requirements in popular financial institutions compared to banks, and the high interest rates normally charged by informal money lenders, the population still decides to continue participating in the informal financial sector. The success of that sector among the low income population is linked with the economic and non-economic barriers to access and usage mentioned throughout this paper. Unlike the formal financial sector, the informal sector is willing to accept types of guarantees that are more viable for the poorest sectors (employment, small plots of land, livestock, etc.) or joint and social guarantees. On the other hand, informal lenders tend to have much more information on the characteristics and behavior of their customers and vice versa. Relationships among the inhabitants of rural and underdeveloped areas are very close: everyone knows each other. It is therefore possible to implement social penalties and censures that reduce information and transaction cost, and foster participation in the informal financial sector.

Figure B
LAC DBs investments sectors (source: ALIDE report 2017)

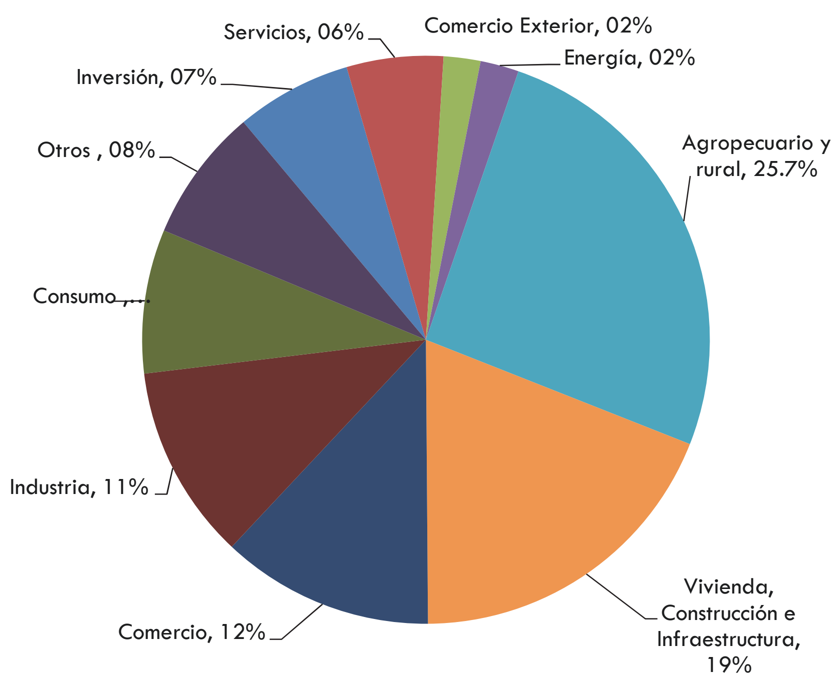
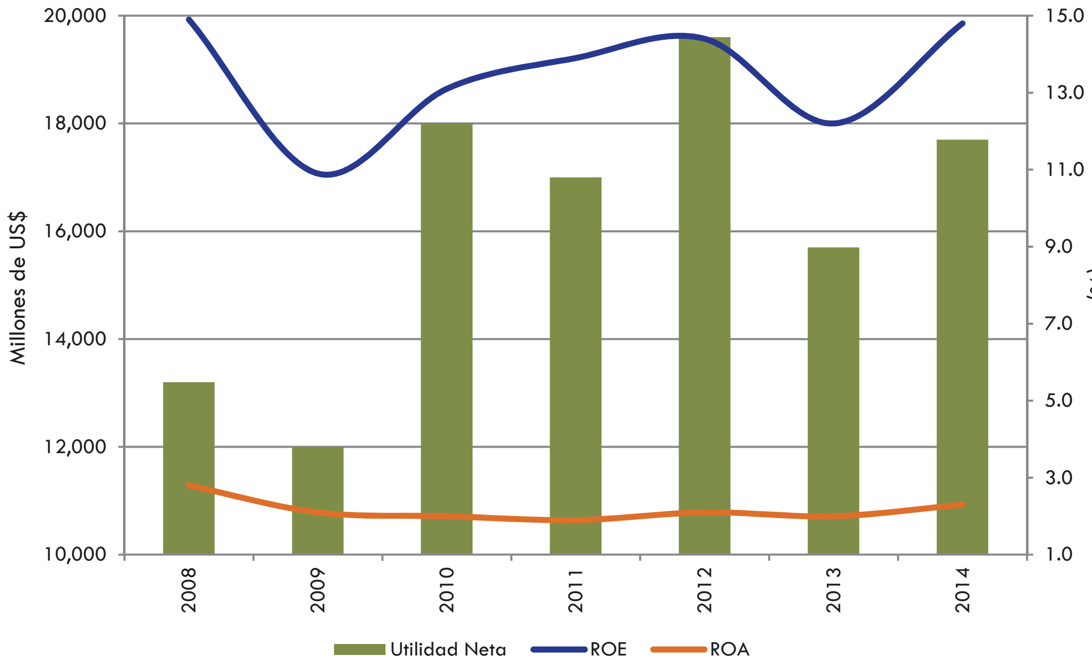


Figure C
Trends in DB results (source: ALIDE report 2017)



119. Finally, it is important to point out that many financial inclusion programs have been based on studies and successful experiences of other countries with very different cultures and histories. The result has mostly not been what was expected. The fact that human behavior is influenced by anthropological, cultural, historical and social factors, among others, has meant the results obtained in theoretical and empirical studies should not be generalized for all individuals; these will depend on the country or region being studied and its own idiosyncrasies.

120. Lack of credit information is a factor that contributes to the constraints faced by SMEs as assessing their creditworthiness represents a unique challenge. One way to reduce financing obstacles for SMEs is to strengthen the infrastructure that supports financial transactions, including laws, regulations and institutions to create, register and enforce collateral, insolvency regime and credit reporting tools. The main institutions and bodies responsible for financial inclusion emphasize the importance of obtaining data for designing, implementing and assessing the programs targeted to improved participation to financial markets. However, standard measurements are still not being used for the different dimensions of the concept. In practice, each country uses different indicators and methodologies. The indicators for access mostly consist of the financial infrastructure and the different distribution channels for available financial products: branches of bank and non-bank entities (microfinance institutions, savings banks and cooperatives, development banks, etc.), ATMs and counters. Such indicators usually measure in geographic or demographic terms. The aim of access indicators is to identify potential barriers related to transaction costs or physical proximity, but they do not include or discriminate against other barriers related to information costs. The main source of information for these indicators comes from the supply-side: regulated financial institutions, such as banks, cooperatives, and microfinance and other institutions. The data is generally obtained through periodic surveys applied to the institutions and the financial regulators and supervisors, which limits the scope of the information to regulated institutions. Indicators for usage take into account information on the number of individuals that have at least one type of financial saving, credit, insurance or payment system product, and their frequency and duration of use over time. This

information comes from both the demand and supply side of financial products. On the demand side, data is gathered from household surveys or focus groups, as well as surveys of SMEs.

121. Studies show that, in economies with adequate creditor protections, the bank credit financing gap between large and small firms decreases and that credit granted in a supportive legal environment is provided on more favorable conditions. Information and credit reporting can be developed in four main practices: (i) improving borrower identification when it comes to SMEs, (ii) identifying and including more sources that report information on SME borrowing, (iii) facilitating comprehensive delivery of financial information and (iv) developing credit reporting products customized for SMEs. Digital SME finance, using alternative data, offers an extraordinary opportunity for addressing both sides of this problem. Growing digital finance will call on all the G20 High Level Principles for Digital Financial Inclusion.

122. The world's stock of digital data will double every two years through 2020, fueled by the phenomenal intersection of and growth in mobile, cloud, big data, electronic payments, and social. By 2020, 60 percent of this digital data will come from developing economies. Analytic and processing capabilities are making great leaps, dispersing data-driven intelligence faster across these new digital ecosystems at plummeting transaction costs. Smart mobile devices are making this information, computing power, and intelligence accessible to SMEs and their financiers around the world. Every time SMEs and their customers use cloud-based services, conduct banking transactions, make or accept digital payments, browse the internet, use their mobile phones, engage in social media, buy or sell electronically, ship packages, or manage their receivables, payables, and record-keeping online, they create digital footprints. This real-time, and verified data can be mined to determine both capacity and willingness to repay loans. A rapidly growing crop of technology-focused SME lenders are putting the use of SME digital data, customer needs, and advanced analytics at the center of their business models, setting forth new blueprints for disrupting the SME lending status quo. It is worth to consider the opportunities alternative data presents to narrow the financing gap for SMEs, while in the same time it is important to assess new issues and potential risks raised by this massive increase and diversification of data supply to financial sector stability, and to consumer protection.

123. Digitizing SME finance and making use of transactional and alternative data offer an opportunity for addressing both sides of the asymmetry in information as cause for weak financial inclusion for SMEs. Therefore, digital data for SME lending, which includes new uses of both traditional data (bank, accounting, transactional, and sales data) as well as alternative data (online ranking and social media, mobile, and individual data, such as psychometric testing) are a huge source of information to be used and exploited also for credit assessment. Each time SMEs and their customers use cloud-based services, conduct banking transactions, make or accept digital payments, browse the Internet, use their mobile phones, engage in social media, get rated online, buy or sell electronically, ship packages, or manage their receivables, payables, and recordkeeping online, they create and deepen the digital footprints they leave behind. SMEs' own, real-time, and verified data —unprecedented volume, variety, and velocity— also means more data can be used for credit decision purposes. Data is gathered in a variety of ways, including through: partnerships between Fintech providers and banks; Fintechs with direct access to transactional data via bank Automated Programming Interfaces (APIs); or the use of screen scraping technology. The more diverse the data and the faster the data can be analyzed, the more predictive its value will be.

124. Marketplace lending companies have stepped in to capitalize on the opportunity available to help meet more SME lending needs. Marketplace SME lenders use machine learning and digital tools to extend credit to a wide array of SMEs quickly and efficiently. While banks had previously rejected many of these same SMEs, others are shopping for better terms and conditions or more rapid access to finance. These new lenders also utilize traditional credit data, especially when it can be accessed in digital form. However, they are discovering that electronically verifiable cash flow/sales transactions and business cloud accounting software are powerfully accurate SME risk predictors of

credit risk on their own. In addition, many are also experimenting with unstructured data such as social media data or website traffic to supplement structured traditional data. Lastly, there are many forms of collaboration with banks, supply chains and a variety of fintechs that continue to emerge. It is worth to study the recent experiences both in advanced countries as well as in developing countries. In the US and China, these lenders have enough liquidity to lend on their own, as well as millions of potential SME clients. That means that these organizations may become the banks' most ardent competitors in SME lending to this target market in the near future. In India, where the emerging "big technology" companies are forced to partner with lenders, the risk for banks that do not participate is that the other digital SME lenders may be able to keep their foothold and scale before these banks build comparable platforms. These big technology organizations will have several advantages. They will continue to refine the analytics they use to determine loan terms. They also have brand names that small businesses recognize, and many small businesses already depend on their services. Digital platforms and the ability to analyze data also allow new fintech players to facilitate invoice financing, and supply chain and trade finance for SMEs that operate in the B2B sector. These new models are providing data that link the various transaction parties along the supply chain. As such, they provide greater insight into real-time data that can be shared with financial service providers. Mobile data-based lending models are also increasing, especially in Africa. Mobile transactions, mobile e-money usage, mobile e-money linked savings history, geo-based location data, tracking call usage, social media networks and mobile retail payment receipts are being used to provide alternative data for digitally-native entrepreneurs these new players and are increasingly developing partnerships with new SME lenders. Due to the increasingly digital nature of the economy and the ability to analyze new and traditional data much faster and more efficiently than in the past, digital data-based SME lending will only continue to grow and expand.

125. Development banks have an important role to play in generating innovation for financing, both directly and through their articulation with other banks. Although there are complementarities between the regional/sub-regional development banks and the national development banks, due to their common objectives and instruments, there is also room for articulation with the private banking sector, where possible synergies could lead to innovations of mutual benefit. This is a key aspect in which financing innovation must be focused.

126. Development banks cannot independently decide to give priority to MSMEs, since they do not have political autonomy to determine who should be the beneficiaries of public action. Political decisions precede the establishment of priorities and the intervention of agencies. The executive branch and its negotiations with the legislature emanate the guidelines, reflected in plans and programs that the specialized agencies must execute in accordance with their mandates. However, given that development banks lack political autonomy, in order to carry out their mission they need technical autonomy, that is, faculties and capacity to evaluate projects and approve or reject them based on technical, legal, economic and financial criteria.

127. Guarantee schemes have the potential to be the most effective multiplier of resources when used to support SMEs thanks to the capacity to distribute risks and to define specific targets. When a guarantee scheme is associated to a state guarantee it could become an essential policy instrument to increase financial inclusion. The role of the state in bearing risk reflects its comparative advantage in overcoming collective participation frictions, not only agency frictions. In effect without risk aversion, there would be no role for public guarantees (nor, for that matter, for private guarantees). To shed their de facto risk aversion and hence exploit more fully their comparative advantage in bearing risk responsibly (hence at unsubsidized prices and without recurrent losses), development banks will most likely need a thorough overhaul of their mandates, governance, and risk management arrangements.

128. Each of the above points aims to a specific set of policy implications. Let's start with the state's comparative advantage in overcoming participation frictions. Instead of justifying government loan and guarantee programs based on goals, policy makers can focus on alternative means of achieving

these goals. This effort involves comparing social costs and benefits across alternative channels of state intervention that may or may not involve risk taking by the government. This in turn opens a set of broad avenues to explore. The first comprises policy interventions aimed exclusively at solving participation frictions —that is, achieving greater financial inclusion both along the intensive margin (the same players engaged in more transactions) and along the extensive margin (the incorporation of new players)— without dealing directly with risk. Rising financial inclusion makes it easier for the financial services industry to lower costs, expand market liquidity, and capture other positive spillovers associated with scale and network effects, thereby ultimately helping diversify risk. Increased financial inclusion can justify a catalytic role for the state in financial development, as well as the state's provision of basic infrastructure such as large-value payments and trading systems or other public goods such as the standardization of contracts.

129. The second avenue deals with risk by promoting risk-spreading arrangements among private agents. This can be done through catalytic efforts or compulsory schemes. As an example of the first type, states can promote private sector participation in guarantee schemes, such as mutual guarantee associations funded by small local entrepreneurs, or guarantee schemes structured as joint stock companies with private participation. The experience across the world with such schemes has been generally positive, partly because they promote peer pressure, a purely private form of resolving collective frictions. Indeed, some evidence suggests that such associations work best when they remain purely private, as this fully preserves incentives for group monitoring and limits moral hazard. However, they may not suffice, not least because peer pressure or compulsory participation may not work in all cases and in all environments.

130. A third avenue involves risk absorption and risk spreading by the state, whether through guarantees or long-term loans. By construction, the rationale for such public risk-bearing programs should be tightly anchored on risk measurement, risk aversion, risk premiums, and differential costs of capital between public and private financial entities. These programs need to explain —based on risk aversion and hence on a careful evaluation of risk premiums and a comparison of costs of capital— why the state can achieve what markets cannot. And as soon as such cost differentials diminish with financial development, the public guarantee programs should be phased out or devolved to the private sector.

131. The correct pricing of the guarantees, to ensure that they properly reflect expected losses, also deserves more attention than it generally receives. Unless this identification of possible hidden risk is done right and state guarantees are reasonably priced, state guarantees will likely end up subsidizing private risk-taking unduly, distorting incentives, and triggering unpleasant fiscal surprises (as well as political upheavals) once downsides materialize (the recent U.S. experience in the subprime crisis is, of course, the most obvious illustration).

132. The need to increase the additionality of public guarantees by carefully pushing out the risk frontier, the area where the state's comparative advantage in bearing risks is magnified. As suggested earlier, the key line of action to overcoming development banks' aversion to risk is to enhance the political system's capacity to discriminate between bad luck and poor management. That capacity implies a radical reshaping of the mandates, governance arrangements, risk management systems, and monitoring and evaluation procedures of development banks. It is important that their mandate allows them to take more risk without taking systematic losses, that is, to function as authentic development banks rather than as imperfect replicas of private commercial banks. To do so, of course, requires that development banks develop their capacity to assess and assume risk, not just their capacity to avoid it. Of course, this proposition is not trivial, and it is likely to involve at the same time a quantum improvement in development banks' analytical capacity as well as a quantum change in their board's focus of attention.

ANNEX 5

COMMENTS FROM ERG EP GC

COMENTARIOS GENERALES		
SECCIÓN DEL REPORTE (si aplica)	**COMENTARIOS ERG**	**RESPUESTA EQUIPO EVALUADOR**
	We found the evaluation to be very complete and useful. The evaluation provides an accurate assessment of the project´s strengths and the potential for further development. The reports goes beyond a mere evaluation and presents important analytical view points on financial inclusion, development banks and instruments for financial inclusion.	**The work with ECLAC has been very enriching for the evaluator**
COMENTARIOS ESPECIFICOS		
NÚMERO DE PÁRRAFO	**COMENTARIOS ERG**	**RESPUESTA EQUIPO EVALUADOR**
10	The report states that “the lack of full financial information does not allow to assess the real efficiency of budgeted resources”. We can provide the required financial information.	**Received**
17	The report states that “the benefits of financial systems that are inclusive - meaning that they provide access to financial services…” Please bear in mind that we view financial inclusion as widening financial access to include SMEs that are not part of the formal financial system and also as perfecting instruments for SMEs which are already part of the financial system. It is a policy of productive insertion.	**Done**
Section 10 on Sustainability	We think one major challenge is how to involve development banks at an institutional level in the platform and in providing information on instruments and how we go from an ECLAC driven platform to a development bank driven platform guided by ECLAC.	**In recommendations**
118	It is true that the participation of women in seminar could have been higher. Unfortunately, in the financial sector of the countries of the region, there is a predominance of male employees over female employees, especially at the more senior levels. We were targeting senior level officials in the seminars. Of course, we will be very attentive to this issue if there is a possible future continuity of the project.	**OK**

COMENTARIOS ESPECIFICOS		
NÚMERO DE PÁRRAFO	**COMENTARIOS ERG**	**RESPUESTA EQUIPO EVALUADOR**
138	We agree that the proposal of financial inclusion as a public good is attractive but needs more specifications and details to avoid risks; that's something we could do at some point in a next stage if the project continues.	**In recommendations**
Section 15	The recommendations are very useful. But some of these fall outside the scope of action of the unit and of ECLAC. It would be appreciated to have more concrete recommendations. We fully agree with the recommendation of keeping the momentum going. The question is how?	**Re-arranged by actor**
Annex A and B	Both annexes are extremely useful. We also have to bear in mind that in general the data is mainly available only for financial access and for persons and not firms.	**In recommendations**

ANNEX 6

COMMENTS FROM DPPO

COMENTARIOS GENERALES		
SECCIÓN DEL REPORTE (si aplica)	**COMENTARIOS DPPO**	**RESPUESTA EQUIPO EVALUADOR**
	The evaluation report should be structured as follows: ✓ Executive Summary ▪ Highlights of the following elements: methodology, brief description of the evaluation subject (e.g. project, programme, thematic or strategic area), evaluation objectives and scope, main findings and conclusions, lessons learned and recommendations. ▪ The executive summary should be drafted in a way that it serves as a stand-alone document. ✓ Introduction ▪ The introduction should state in what period and by whom was the evaluation conducted, clearly define the subject, purpose and objectives of the evaluation, the scope of the evaluation, as well as the main evaluation criteria and questions. ✓ Background ▪ Brief description of the subject under evaluation including the history and current status of the programme, project, area or object under evaluation, its objectives, the logic of its design or expected results chain, duration, budget, and activities among other relevant information. It should also clarify the time period covered by the evaluation and identify the main stakeholders, including donors, partners, implementing agencies/organizations. ✓ Methodology ▪ The methodology should provide a brief description of the evaluation was carried out and how the main findings were reached highlighting potential limitations in data collection and analysis. ▪ It should also state data collection methods and tools used, as well as how the analysis of the data was carried out. ✓ Findings ▪ Findings should be stated in a clear and concise way, providing the evidence and factual data that supports the findings. ▪ It is recommended to group the findings based on the main criteria selected for the evaluation.	**Text re-arranged and shortened**

COMENTARIOS GENERALES		
SECCIÓN DEL REPORTE (si aplica)	**COMENTARIOS DPPO**	**RESPUESTA EQUIPO EVALUADOR**
	✓ Conclusions ▪ Should be clearly linked and provide an answer to the main evaluation questions. ▪ Conclusions must build on the findings already presented in the previous section and add value to them. ▪ Conclusions must reflect the evaluator's professional analysis. ✓ Lessons learned ✓ Recommendations ▪ Recommendations should be clearly and explicitly linked to the main evaluation findings and recommendations. ▪ They should be realistic and actionable, stating who will be responsible for its implementation. It is recommended to propose specific actions that could be undertaken to facilitate the implementation of the proposed recommendations.	
	Please include in the table of contents, a list of tables, graphs and figures	**done**
	Please include a list of acronyms	**Each acronym is explained since the first appearance**
	Please make sure that the executive summary includes all the elements mentioned in the second comment, especially in the sections on evaluation scope and methodology which need to be further strengthened.	**done**
	Please reduce the size of the report to a maximum 40-50 pages.	**done**
	Please include in the findings and conclusions, and, if needed, in the lesson learned and recommendations a section dedicated to the analysis of the cross-cutting issues-mainstreaming of human rights and gender perspectives (more in-depth than commenting on women's participation in project activities) and contribution to the SDGs, as stated in the TORs.	**done**
	Please carry-out an editorial revision of the report, as there are various typos and grammar errors throughout the document.	**done**
	Please indicate the source for each table, graphic or diagram throughout the report and include a descriptive title.	**done**
	Consider changing wording from “the expert” to “the evaluator” throughout the report for clarity purposes	**done**

COMENTARIOS GENERALES		
SECCIÓN DEL REPORTE (si aplica)	**COMENTARIOS DPPO**	**RESPUESTA EQUIPO EVALUADOR**
Effectiveness	Please also include an analysis of project results vi-a vis the expected accomplishments and indicators of achievement set during the design phase.	**done**
Sustainability	Please significantly reduce this section, specially reducing the more theoretical and substantive parts. The section has been drafted more as a recommendation, especially on “substantive issues” than an analysis of the project’s activities and results’ sustainability. We would recommend refocusing this section to an analysis and related findings of the probabilities of sustainability of the project’s results, both form the [perspective of beneficiaries (capacities built, follow-up plans, etc.) and ECLAC (planned future activities, continuity, etc.). It can incorporate some elements on what is needed to ensure sustainability but should not be the main focus at this point.	**done**
Findings	Need consolidation. Please structure the findings section by evaluation criteria, including cross-cutting issues (integration of human rights and gender perspectives, and contribution to the SDGs). Present each finding within the text, number and highlight each finding and then immediately after provide the explanatory text and evidence that backs-up the finding. The findings presented in this draft report seem more conclusions than findings or a mix of both. When restructuring the report, careful analysis must be done to clearly differentiate findings, which should include clear evidence that backs-up each finding and should be more factual, and conclusions which already include an analysis of the evaluator based on the main findings. Conclusions should reference the findings where they derive from.	**done**
Lessons Learned	In the lessons learned section please summarize and highlight what the lesson learned is. From the actual text, where phrases are being highlighted, it is sometimes difficult to grasp what the lesson learned is. More importantly, please make sure that all lessons learned are linked and derive form the implementation of the project under evaluation, and that this link is clear in the text. L3, l4, L5 and L111 do not seem to have a clear link to the project under evaluation, at least, by the way they are being presented.	**done**
Recommendations	Please make sure that all recommendations are addressed to ECLAC or DESA as programme managers of the DA. They should be actionable and useful, and very importantly, within the area of influence of the RCs. Some recommendations addressed to the countries or the DBs, fall outside our area of possible intervention and are therefore not applicable within our mandates or programmes of work. Please also make sure that the main text of the recommendation (highlighted text) is self-explanatory. The reader, must be able to understand what exactly the evaluator is recommending in one to two sentenced. Then you can provide further explanations or examples of possible actions in the text immediately after the main recommendation. Please also consider streamlining and reducing the number of recommendations (some could be merged).	**done**

COMENTARIOS ESPECIFICOS		
NÚMERO DE PÁRRAFO	**COMENTARIOS DPPO**	**RESPUESTA EQUIPO EVALUADOR**
Executive summary- Methodology and Mission's activities	The following sentence appears twice: The assessment has been structured around four main standard criteria: relevance, efficiency, effectiveness and sustainability plus two added to complete the analysis, that is complementarities and ECLAC value added. Mission's activities can be folded under methodology.	**arranged**
Executive summary- ECLAC Value added- First paragraph	Please eliminate the reference to the "following table" on line 4, as it probably comes from the main text and is not included in the Executive Summary.	**done**
Executive summary- ECLAC Value added- First paragraph	Please eliminate reference to the MDGs, and, as stated, before, make reference to the SDGs instead.	**done**
Executive summary F5 and F6	Please check the corresponding texts under F5 and F6. The text under F5 does not explain what the finding is and/or what is its corresponding evidence (where it comes from). The text under F6 since more related to F5. No relation to F6.	**done**
Evaluation scope	Please specify the timeframe of the evaluation and that the evaluation was commissioned by ECLAC. Please also specify the evaluation scope and timeframe of the implementation of the project and the overall objective of the evaluation.	**done**
Paragraph 5	Please also mention the cross-cutting issues: mainstreaming of human rights and gender perspectives and contribution to SDGS in the evaluation criteria.	**done**
Paragraph 7	Typo: preparation, not reparation	**done**
Methodology	Please make reference to the valuation questions and include the evaluation matrix as an annex, referencing it in the text.	**done**
Paragraph 10	Please update according to the updated financial report hereby attached.	**done**
Page 15, figure 3, A1.2- Implemented activities	Please change "Talleres" to "workshops"	**done**
Paragraphs 19-52	In line with comment 5, please reduce all these paragraphs 2-4 paragraphs, leaving only that information that is directly linked to the activities of the project and that could explain the regional context and evidence the relevance of the project, its logic and proposed activities.	**done**

COMENTARIOS ESPECIFICOS		
NÚMERO DE PÁRRAFO	**COMENTARIOS DPPO**	**RESPUESTA EQUIPO EVALUADOR**
Paragraph 54	Please clearly link the project's thematic area to the Programme of Works of ECLAC as a whole, and that of the Financing for Development and/or Economic Development Divisions in particular (these two Divisions were merged into one in the 2018-2019 programme of work)	**done**
Paragraph 57. Lines 4-7	Please also mention that ECLAC's standard modus operandi includes besides the generation of studies and dissemination efforts including workshops and other events, the provision of technical assistance or advisory services and the collection and dissemination of data and statistics.	**done**
Paragraph 61	Please include the reference to the regional publication as a footnote. This should be done with every publication or paper mentioned throughout the text.	**done**
Paragraph 62	Please include the official name of the international workshop. This should also be done every time a workshop, seminar or event is mentioned.	**done**
Figure 8	Please translate to English	**done**
Paragraph 63.	Same comment as paragraph 62	**done**
Paragraph 66	Please revise the text and its corresponding text on the Executive Summary according to the financial report (still draft as there are certain expenses that may still need to be payed), hereby attached.	**done**
Paragraph 66 Last sentences	Please provide more explanations and source for this comment. ECLAC work in general, even if this was the case for this project, do not center its work on theory or analysis but is actually more policy-oriented.	**done**
Figure 10	Please specify what the line marked as "total" refers to.	**done**
Paragraph 70	The following sentence seems incomplete, please revise: "From the interviews and the answers to the questionnaire it emerges with strong confirmation that the awareness of the importance to analyze and promote financial inclusion with the active participation of DBs."	**done**
Paragraph 70 Last line	Please provide some examples to back-up this statement: "Moreover the project gave the push in a number of countries to a new definition of inter-institutional relations in order to structure the definition of policies / instruments and data collection process in a most organized form."	**done**
Figure 12	Please make reference in the text to figure12.	**done**
Paragraph 71. Line 2.	Could you strengthen this statement with the corresponding response rates please?	**done**

COMENTARIOS ESPECIFICOS		
NÚMERO DE PÁRRAFO	**COMENTARIOS DPPO**	**RESPUESTA EQUIPO EVALUADOR**
Paragraph 71.	Please provide evidence for the following statement: The events were supposed to be also a space to develop some inter country direct cooperation and exchange. However, it should be remarked that each country has different ways of working as well as different levels of commitment and institutional and technical capacities, so the cooperation was not immediate: more efforts should be developed in the future to increase this exchange	**done**
Paragraph 71.	Please complete the following sentence and support with evidence (survey results, etc.): "In effect from the questionnaire answers it seems that the material and the knowledge coming from the project has already some" Please also check the consistency of this sentence with the one preceding it as they might be perceived a bit contradictory.	**done**
Paragraph 76. Last line	Please make sure to take into consideration, these identified issues at the moment of drafting the recommendations, in line with the comment related to recommendations in the general comments section.	**done**
Paragraph 77. First line	Same comment as above	**done**
Paragraph 83	Same comment as for paragraph 61	**done**
Figures 18 and 19	If they are kept in the final version of the report, please translate the graphs to English.	**Done as much as possible**
Figure 21	Please refer to figure 21 in the text, as it seems out of context right now, with no direct relation with the anteceding or preceding text.	**done**
90-106	In line with comment 5, please summarize, focusing on sustainability of the project	**done**
Paragraph 107	Please provide specific and concrete examples of coordination and synergies with other ECLAC Divisions as mentioned in the text.	**done**
Paragraph 114	Please make reference to the SDGs and not the MDGs, even if these where the IADGs in implementation when the project was designed, as the SDGs where the actual IADGs during the implementation of the project. But please elaborate more on the relation between the project and the SDGs and its possible contributions.	**done**
Paragraphs 114-119	These paragraphs do not seem related to the added-value of ECLAC, which is the title of the section, but seem more related to: contribution to MDGs/SDGs (114), effectiveness (115), integration or mainstreaming of gender perspective (116-119). Please consider this when re-structuring the report.	**done**

COMENTARIOS ESPECIFICOS		
NÚMERO DE PÁRRAFO	**COMENTARIOS DPPO**	**RESPUESTA EQUIPO EVALUADOR**
133. F4	This “finding” is not clear enough. There is a lack of clarity between what is being said in the title of the finding and its accompanying text, and more importantly how this related to the project under evaluation. Please revise.	**done**
134. F5	First, please make sure to use “development banks” instead of “public banks” throughout the text to ensure coherence. Second, and somehow related to the above comment, the information included to justify the finding seems more academic/theoretical that the result of the evaluation of the project itself. Please revise the text accordingly.	**done**
F4 and F6	Please consider merging both findings.	**done**
F7	Please link the finding to the project itself. Again, the explanation seems more theoretical than a finding of the evaluation of the project, its activities and results.	**done**
F8	Seems more of a recommendation. If you still want to present it as a finding, we would recommend revising the text, and backing it with objective evidence.	**done**
F9 and F 10	Seem findings of the evaluator’s own research on the theme, but not directly linked to the evaluation of the project per se.	**done**
147, 148, 149, 150, 151, 152, 153	In line with general comment on lessons learned, these lessons learned do not seem directly derived from the project evaluation, but from the evaluator’s own research. Please make sure that lessons learned highlighted are complete sentences	**done**
153 L11. Line 5	This paragraph makes references to “the need to diversify the economies from oil”. Please explain how this is related or relevant to the project being evaluated or the work of the Division in this area, or to LAC in general.	**done**
Paragraph 155 L13	We were not able to identify from the main text of the report, where this lesson learned came from. Please specify, or if necessary, make sure that that the corresponding information or evidence from where it derives is clearly reflected in the text and findings.	**done**
157	Typo: Lose not loose	**done**
Paragraph 159. R2	Please provide more details or explanations on what exactly is being recommended for ECLAC to do in this area.	**done**
R4, R5, R8, R11, R12	As mentioned in the general comments section, these recommendations seem dedicated to DBs. We recommend restructuring them to a recommendation that can be applicable to ECLAC.	**done**

COMENTARIOS ESPECIFICOS		
NÚMERO DE PÁRRAFO	**COMENTARIOS DPPO**	**RESPUESTA EQUIPO EVALUADOR**
R7	Who or what institution is this recommendation directed to? What could ECLAC do, within its mandate to implement or help implement this recommendation?	**done**
R9 and R10	Same comment as R9. Please consider this perspective "from ECLAC area of influence or intervention" when drafting the recommendations.	**done**
R13	This recommendation seems out of the area of work of ECLAC. Please consider if it can be redrafted from the perspective of what ECLAC can do, if applicable in this area. If, not, we would recommend not including it as it would not have any applicability to ECLAC.	**done**

ANNEX 7

COMMENTS FROM DPPO (2)

<table>
<tr><th colspan="3">COMENTARIOS GENERALES</th></tr>
<tr><th>SECCIÓN DEL REPORTE (si aplica)</th><th>COMENTARIOS DPPO</th><th>RESPUESTA EQUIPO EVALUADOR</th></tr>
<tr><td>As defined in project'</td><td>
<u>The report still needs to be adapted to reflect the structure presented below. In particular, the evaluator needs to include an introduction to the evaluation and improve the presentation of findings as requested in the previous comments.</u>

The evaluation report should be structured as follows:
✓ Executive Summary
▪ Highlights of the following elements: methodology, brief description of the evaluation subject (e.g. project, programme, thematic or strategic area), evaluation objectives and scope, main findings and conclusions, lessons learned and recommendations.
▪ The executive summary should be drafted in a way that it serves as a stand-alone document.

✓ Introduction
▪ The introduction should state in what period and by whom was the evaluation conducted, clearly define the subject, purpose and objectives of the evaluation, the scope of the evaluation, as well as the main evaluation criteria and questions.

✓ Background
▪ Brief description of the subject under evaluation including the history and current status of the programme, project, area or object under evaluation, its objectives, the logic of its design or expected results chain, duration, budget, and activities among other relevant information. It should also clarify the time period covered by the evaluation and identify the main stakeholders, including donors, partners, implementing agencies/organizations.

✓ Methodology
▪ The methodology should provide a brief description of the evaluation was carried out and how the main findings were reached highlighting potential limitations in data collection and analysis.
▪ It should also state data collection methods and tools used, as well as how the analysis of the data was carried out.
</td><td>
Done

However, I want to stress few points:

- this project is at the end mostly a "research / study" project: just think that the main outcome is a book (a very good one, but still mostly "theory", well supported by national analysis and studies).

- As I pointed out, the "expected results" as defined in project's design are not supported by evidence, as they were both too ambitious and impossible to verify for lack of data and/or for the time needed to become evident

- Consequently, I opted for a more "qualitative" analysis focusing on "change of behaviour" for the selected beneficiaries / institutions. Again, there is not a lot of evidence, apart some support letters and the few answers to the questionnaire.

- The construction of a "database" of "best practices" (that should have been the most important output allowing sustainability) still does not exist and its continuation is doubtful (unless special arrangements I do not know about have been made)

- reference to gender / human rights / etc. do not exist at all in all produced documents: however, I argued that financial inclusion is implicitly favouring undeserved population, especially women and, as a public good, could in the future be part of standard rights.
</td></tr>
</table>

COMENTARIOS GENERALES		
SECCIÓN DEL REPORTE (si aplica)	**COMENTARIOS DPPO**	**RESPUESTA EQUIPO EVALUADOR**
	✓ Findings ▪ Findings should be stated in a clear and concise way, providing the evidence and factual data that supports the findings. ▪ It is recommended to group the findings based on the main criteria selected for the evaluation. ✓ Conclusions ▪ Should be clearly linked and provide an answer to the main evaluation questions. ▪ Conclusions must build on the findings already presented in the previous section and add value to them. ▪ Conclusions must reflect the evaluator's professional analysis. ✓ Lessons learned ✓ Recommendations ▪ Recommendations should be clearly and explicitly linked to the main evaluation findings and recommendations. ▪ They should be realistic and actionable, stating who will be responsible for its implementation. ▪ It is recommended to propose specific actions that could be undertaken to facilitate the implementation of the proposed recommendations.	**- all this converge to create a context where standard evaluation criteria and methodology need to be adapted to a more discursive analysis trying to extract the "best" from project's activities as a guide for the future; moreover, as project's events and outputs have been quite appreciated by the stakeholders and participants—even though with some caution for "academicism"— it is worth to focus on the positive features of the project (I do not enter into the fact that no participant pays for the events so there are very few risks that they do not appreciate);** **- I really treasured my work with this project and the engagement of all involved actors (ECLAC management, consultants): the final output is remarkable; I consequently consider that it is an important contribute to the changes needed in financial environment for the region; again there are risks and I think that it is important that ECLAC and selected beneficiaries be informed and the recommendations follow this pattern**
	Please include a list of acronyms as requested in the previous comments	**As already remarked, all acronyms are explained the first time they appear. By the way it is the same modality present in the book published by the project.**
	Please include in the findings and conclusions, and, if needed, in the lesson learned and recommendations a section dedicated to the analysis of the cross-cutting issues- mainstreaming of human rights and gender perspectives (more in-depth than commenting on women's participation in project activities) and contribution to the SDGs, as stated in the TORs. <u>There is still no reference to the incorporation of the human rights perspective in the finding. We would also appreciate a more -in-depth assessment of the contributions to the SDGs beyond just stating the SDGs to which the project is related. As there are relevant findings related to gender mainstreaming, we would expect to have a related conclusion and maybe a recommendation, as this is an important issue for both the UN and ECLAC in particular.</u>	**Done with the limitations stressed already**

COMENTARIOS GENERALES		
SECCIÓN DEL REPORTE (si aplica)	**COMENTARIOS DPPO**	**RESPUESTA EQUIPO EVALUADOR**
	Consider changing wording from "the expert" to "the evaluator" throughout the report for clarity purposes as requested in the previous comments. It still appears 11 times throughout the text.	**done**
Findings	Need consolidation. Please structure the findings section by evaluation criteria, including cross-cutting issues (integration of human rights and gender perspectives, and contribution to the SDGs). Present each finding within the text, number and highlight each finding and then immediately after providing the explanatory text and evidence that backs-up the finding. The findings presented in this draft report seem more conclusions than findings or a mix of both. When restructuring the report, careful analysis must be done to clearly differentiate findings, which should include clear evidence that backs-up each finding and should be more factual, and conclusions which already include an analysis of the evaluator based on the main findings. Conclusions should reference the findings where they derive from. This comment still needs to be addressed. No concrete findings highlighted in the text. For further reference, please see the attached evaluation report, which we are sending as an example. You can find more examples at ECLAC's webpage. Additionally, in this particular section, we would recommend a thorough revision and ordering of the information presented. Sometimes, there is no clear link from one paragraph to another, tables are not included next to the paragraphs where they are being referenced or the information presented in certain paragraphs has actually no link to the evaluation question being addressed.	**done**
Conclusions	We would recommend revising the conclusions to make sure **they answer to the evaluation questions.** Please also draft each conclusion as a complete self-explanatory sentence or sentences if necessary. Conclusions 8 and 9 do not seem actual conclusions, but rather findings. Please revise. We would recommend merging C5 and C7 to arrive to a full conclusion. We would appreciate a more definite conclusion in terms of the sustainability of the project activities and results. Please also make sure to address the cross-cutting issues in the conclusions, incorporation of human rights, gender mainstreaming and contribution to SDGs.	**done**

COMENTARIOS GENERALES		
SECCIÓN DEL REPORTE (si aplica)	**COMENTARIOS DPPO**	**RESPUESTA EQUIPO EVALUADOR**
Lessons Learned	Please draft each lesson learned as a complete self-explanatory sentence or sentences if necessary. From the actual text, where phrases are being highlighted, it is sometimes difficult to grasp what the lesson learned is. L6 do not seem to have a clear link to the project under evaluation, at least, by the way they are being presented(which is even contradictory to the information presented in the findings section, where it says that the project took advantage of the synergies). Additionally, there are some lessons learned that are drafted more as findings or conclusions than lessons learned. For example: L2. The actual lesson learned seems to be the last sentence of the paragraph. Please reconsider rephrasing using this last sentence and elements from the first sentence. L4. In this case the lesson learned seem to be the second sentence: "in the context of……." And even then, it would seem more a finding than lesson learned, so it might need to be rephrased as well. The second L7 seems more a conclusion than a lesson learned. Consider moving it to that section. We would recommend merging L4 and L8 as L8 by itself does not constitute a lesson learned. L9 is not a lesson learned. Please reconsider its inclusion.	**The first sentence is the summary of the Lesson Learnt, then explained** **L6 makes reference to some findings (para 12) and express the need for better coordination in order to increase aid effectiveness** **The text remains** **done** **Project's conclusion remarked the importance of financial education; text remains**
Recommendations	Please make sure that all recommendations are addressed to ECLAC or DESA as programme managers of the DA. They should be actionable and useful, and very importantly, within the area of influence of the RCs. Some recommendations addressed to the countries or the DBs, fall outside our area of possible intervention and are therefore not applicable within our mandates or programmes of work. Please make sure to only include the recommendations addressed to ECLAC or restructure them to fall within the area of work and mandates of ECLAC. No recommendations to external institutions should be included. R3 seems to fall outside of ECLAC's mandates, as we do not work directly in providing financial education to final beneficiaries. Please reconsider or redraft them so they are addressed to what ECLAC can actually do on the issues mentioned within its mandate (this could be the case for recommendation DB R1).	**Recommendations are separated for ECLAC and the main stakeholders** **I think that DB as main beneficiaries and stakeholders deserve specific recommendations** **Recommendation address the need for financial education: a study / analysis to design a strategy to achieve it in the regional context appears well fit with ECLAC mandate**
	Please make sure to include the reference to all publications as a footnote.	**done**

COMENTARIOS ESPECIFICOS		
NÚMERO DE PÁRRAFO	**COMENTARIOS DPPO**	**RESPUESTA EQUIPO EVALUADOR**
Paragraph 3	Please include the objective of the evaluation as stated in the TORs. The "purposes" stated in this paragraph are not the purpose of the evaluation but elements of the assessment. Please redraft.	**done**
Paragraph 5	Please also mention the cross-cutting issues: mainstreaming of human rights and gender perspectives and contribution to SDGS in the evaluation criteria. SDGs not mentioned in par. 5. Please use wording from inception report: • ECLAC value added: the extent to which the project's activities and outcomes have confirmed the advantages of the ECLAC intervention, with special reference to the promotion of human rights and attention to gender concerns and SDG contribution. Human rights mentioned here but never again in the report	**Done** **Actually, they have never been mentioned in any project's document**
Paragraph 6.	Please consider erasing the last sentence. It seems to have been left there from a previous report.	**done**
Methodology	Please make reference to the e valuation questions and include the evaluation matrix as an annex, referencing it in the text. This comment still need to be addressed.	**done**
Paragraph 7. Last line	Please "The survey was sent out on the 22nd of August. This was followed by two reminders which were sent out on the 27th of August and the 3rd of September respectively."	**done**
Paragraph 24.	We suggest eliminating the parts of this paragraph making reference to financial inclusion at household level as this is beyond the thematic scope of the project.	**done**
Paragraph 35. Line 11.	Please correct the reference, as it is not presented in chapter 6 but 5.	**done**
Paragraph 47. Final highlighted section.	In this section, the evaluator remarks the fact that final beneficiaries' participation in events was quite reduced. However, it is our understanding, that they were not the target of the events nor the project. Please consider this when drafting this paragraph.	**Participation is essential to distribute knowledge; however it is well noted that the participants have been selected in order to increase both know how distribution and value added for the discussions during the events.**
Paragraph 50.	Please complete the following sentence: "From the interviews and the answers to the questionnaire it emerges with strong confirmation that the awareness of the importance to analyze and promote financial inclusion with the active participation of DBs…..".	

COMENTARIOS ESPECIFICOS		
NÚMERO DE PÁRRAFO	**COMENTARIOS DPPO**	**RESPUESTA EQUIPO EVALUADOR**
Paragraph 51.	The first line in this paragraph makes reference to figure 13, however, figure 13 actually refers to the number of downloads of the publications, not their level of knowledge. Please correct to ensure consistency between the graphs and tables presented and the texts.	**done**
Paragraph 52.	The following text is not clear, please rephrase and include reference to the specific question of the questionnaire being mentioned: "It appears however that the distribution of the reports has been not so large: according to the questionnaire, the distribution has been relatively limited for 30% of the answers)"	**done**
Paragraph 52. Last line.	The text makes reference to the relevance of the project's approach while figure 14 makes reference to the usefulness of the project's materials and knowledge. Please revise to ensure consistency between the information presented in the text and the one presented in the graphs and/or tables.	**done**
Figure 16.	We recommend moving able 16 before paragraph 56 to align it with the information presented.	**done**
Paragraph 61. Last line.	The relation between the text in the last line and figure 18 to which it makes reference, is not clear at all. Please revise and ensure consistency between the text and in the information provided in the table.	**done**
Paragraph 66. Last line.	The last sentence of this paragraph (highlighted section), seems more a recommendation than a finding. Maybe this text could be used for a consolidated recommendation, in place of various individual recommendation included in the report.	**It is well included in conclusion and lessons learnt**
Paragraph 67	Please provide specific and concrete examples of coordination and synergies with other ECLAC Divisions as mentioned in the text or eliminate the reference to synergies within ECLAC as examples provided are with external institutions or other entities.	**Unfortunately, more information is not available, simply the reported statement form projects' documents**
Figure 20.	Please move the figure before paragraph 83.	**done**
Lessons Learned	Please review numbering (there are 2 Lessons 7)	**done**
Paragraph 108. ECLAC R2.	In the third line of the recommendation, the evaluator mentions that "the platform is still without a credible institutional set-up". We recommend that this is clearly stated in the findings section on sustainability and related conclusion, to ensure consistency between the findings, conclusions and recommendations.	**done**

ANNEX 8

EVALUATION FRAMEWORK

Focus areas	Main Issues
Relevance *How well the ECLAC DA project through its components / activities is suited to the priorities and policies of the region and countries in relation with the major issues identified to increase access to finance for MSMEs and how well was/were it/they adapted to changing circumstances?*	1. The project's embedded theory of change were highly compatible with the overall conditions of the LAC countries context and considered the existing political and economic constraints 2. The project's instruments were defined to face the most relevant problems for MSME access to finance in beneficiaries' countries 3. The governance and management structure of the project were appropriate to the objective, accomplishments and activities and have been able to adapt to changing needs
Efficiency *To what extent have the project's components been able to implement the expected activities and to achieve the expected outputs as outlined in the overall strategic documents?*	1. The management structure together with the procedures adopted for the selection of local stakeholders have been designed to allow smooth implementation of the activities 2. The management of the Project have been able to use efficiently the available resources achieving the expected expenditure rates 3. The Project's different components produce at acceptable costs the expected outputs according to each action specification and targeted beneficiaries
Effectiveness *To what extent are the Project activities contributing to design improved / innovative financial practices for SMEs?*	1. The Project activities did contribute to improve the capacity of development banks to design new financing approaches and instruments 2. The development banks proceeded in developing the new financial instruments that have been presented to the potential beneficiaries 3. The Project Components and the coordination platform were instrumental in promoting a policy dialogue and an institutional framework or code of good conduct for the exploitation of the new finance opportunities
Sustainability *To what extent the level of local ownership, absorption / implementation capacity will allow for continuity of the Project results toward an increased availability of financial products for SMEs after the ECLAC funding will be completed?*	1. The development banks are able to embed in their strategy / structure the new financial instruments with special attention to: innovative enterprises, increase of technical know how, specific instrument to finance value chains and clusters, support of digital/ mobile finance 2. The Project components contributed to strengthen the local capacities of finance stakeholders and business consultants to meet the challenges, and exploit the new opportunities

Focus areas	Main Issues
Coordination/complementarities *To what extent have Project activities been well-coordinated with and complementary to other ECLAC actions, to actions of other UN Agencies, and to those of other Development Partners, in order to increase aid effectiveness?*	1. The Project satisfactorily complies with ECLAC policy agenda and community added value, consistently taking into account principles of subsidiarity, partnership and additionality 2. The Project made efforts to contribute positively to increase coordination and aid effectiveness
ECLAC value added *To what extent did Project's activities and outcomes develop and consolidate the role of ECLAC as main actor to promote inclusive, sustainable development through SMEs financial inclusions with integration of women and young people, respect for environmental constraints and support of the rule of law?*	1. The Project components addressed the main cross-cutting issues, including gender based inequalities that are clearly taken into consideration in compliance with ECLAC development vision 2. The Project's visibility has been ensured thanks to a wide variety of actions and supports with positive impact of the ECLAC image in the region

ANNEX 9

SURVEY QUESTIONNAIRE

Evaluación del Proyecto: *Promoting inclusive finance through development banking innovation practices to support social, productive development and structural change with a particular focus on SMEs in Latin American countries (ROA 290-9)*

Como parte de su estrategia de mejora continua y con la intención de proveer un mejor servicio a los países de la región, la Comisión Económica para América Latina y el Caribe (CEPAL) realiza evaluaciones periódicas de sus proyectos y programas relativos a sus diferentes áreas de trabajo.

En esta ocasión la CEPAL está realizando la evaluación del Proyecto "*Promoting inclusive finance through development banking innovation practices to support social, productive development and structural change with a particular focus on SMEs in Latin American countries (ROA 290-9)*", desarrollado durante los años 2015 al 2018, a fin de determinar los grados de pertinencia y eficacia de sus actividades en beneficio de los países de América Latina y el Caribe.

El proyecto se ejecutó con talleres regionales / nacionales / internacionales, con la producción de informes nacionales/ regionales que han construido una base de informaciones sobre la oferta de productos financieros para PYMES y con la construcción de una plataforma común de informaciones y cambio de experiencias.

Nuestros registros muestran que usted participó en algunas de las actividades realizadas dentro del marco de este proyecto, por lo que le solicitamos su colaboración en responder a la encuesta adjunta para conocer sus percepciones sobre dichas actividades/reuniones / documentos y el aporte que la mismas pudieron haber tenido en su área de trabajo.

La encuesta le tomará **aproximadamente 5-10 minutos de su tiempo** y nos ayudará a identificar resultados concretos y áreas donde se puede mejorar la asistencia que brindamos a los países de la región. Mucho agradeceríamos llenar los datos y devolver la encuesta cuanto antes o hasta el ……………..

Para responder a la encuesta, favor de abrir el siguiente enlace:

http://www……

Agradecemos mucho su ayuda y sus respuestas. Sus aportes serán manejados en **forma estrictamente confidencial** y nos serán de mucha utilidad para establecer los impactos y la efectividad de los servicios prestados por la CEPAL y para mejorarlos en el futuro.

Si tiene alguna pregunta sobre esta encuesta, por favor envíe sus comentarios y sugerencias al siguiente correo: **evaluacion@cepal.org**

SECCION A: EVENTOS Y SEMINARIOS

1. ***Por favor, especifique en cuál(es) de los siguientes eventos / talleres organizados dentro del marco del proyecto "Innovación para inclusión Financiera de PYMES' ha participado: (puede marcar más de una opción)***

Seminarios y Talleres Nacionales:

1. **Taller Técnico:** *"Promoviendo la Inclusión Financiera a través de Políticas De Innovación de la Banca de Desarrollo"*, México, 4-5 de Julio, 2016
2. **Taller Técnico:** "*La Inclusión Financiera de las Pymes y la Banca de Desarrollo*", Colombia, 6 de Octubre, 2016
3. **Taller Técnico:** *"Promoviendo la Inclusión Financiera a través de Políticas De Innovación de la Banca de Desarrollo"*, Ecuador, 25 de Octubre, 2016
4. **Seminario:** *"Promoviendo la Inclusión Financiera a través de Políticas de Innovación de la Banca de Desarrollo. Presentación de Casos: América Latina y Costa Rica"*, Costa Rica, 13-14 de Noviembre, 2017
5. **Seminario:** "*Inclusión Financiera de los Pequeños Negocios*", Brasil, 21 de Noviembre, 2017

Seminarios y Talleres Regionales:

6. **Seminario:** "*Inclusión Financiera de las Pymes en América Latina: Experiencias de Países e Instrumentos de la Banca de Desarrollo*", México, 6-7 de Abril, 2017
7. **Seminario:** *"Promoviendo la Inclusión Financiera a través de Políticas de Innovación de la Banca de Desarrollo"*, Perú, 16-17 de Agosto, 2017
8. **Taller:** "*Small and Medium Enterprises' Access to Finance and the Role of Development Banks in Asia and the Pacific and Latin America*", en colaboración con la Comisión Económica y Social de las Naciones Unidas para Asia y el Pacífico (CESPAP), Centre for Financial International Cooperation (CFIC) de la República de Corea, Asian Development Bank Institute (ADBI), y Alliance for Financial Inclusion (AFI)), Tailandia, 27-28 Septiembre, 2017
9. **Study tour:** "*Study Tour for officials and policy maker of Latin America: Visit to the Thailand Bank for SMEs and Thai Bank for Agriculture and Agricultural Cooperatives.*
10. **Seminario:** *"Promoviendo la Inclusión Financiera a través de Políticas de Innovación de la Banca de Desarrollo"*, Chile, 18-19 de Octubre, 2017
11. **Taller de Trabajo de Expertos de la Banca de Desarrollo:** *"Sistema de Información Regional de Instrumentos de Fomento para la Inclusión Financiera en América Latina"*, Chile, 31 de Mayo - 1 de Junio, 2017
12. **Seminario:** Resultados del Proyecto: *"Promoviendo la Inclusión Financiera a través de Políticas de Innovación de la Banca de Desarrollo"*, Chile, 11 – 12 de Junio, 2018

2. Por favor, valorar que tan importantes fueron las siguientes razones en motivarlo a participar en las actividades del proyecto "Innovación para inclusión Financiera de PYMES' de la CEPAL:

	Muy importante	Importante	Bastante importante	No importante
Inclusión financiera es parte de mi actividad profesional	1☐	2☐	4☐	5☐
La inclusión financiera se encuentra entre las prioridades de mi organización	1☐	2☐	4☐	5☐
Interés en nuevos productos financieros para PYMES	1☐	2☐	4☐	5☐
Evaluar y conocer los avances en otros países	1☐	2☐	4☐	5☐
Metodologías en el ámbito de modelos y productos para inclusión financiera	1☐	2☐	4☐	5☐
Desarrollar nuevas capacidades técnicas y de gestión en el área de productos para PYMES	1☐	2☐	4☐	5☐
Conocer experiencias exitosas en inclusión financiera para PYMES	1☐	2☐	4☐	5☐
Intercambio de experiencias tanto a nivel nacional, como regional	1☐	2☐	4☐	5☐
Contactarse con otros colegas y expertos del área	1☐	2☐	4☐	5☐

3. Por favor, indique su grado de acuerdo con las siguientes afirmaciones respecto a la organización y contenidos de los eventos en los cuales usted participó.

	Ampliamente de acuerdo	Algo en acuerdo	Algo de desacuerdo	Ampliamente en desacuerdo	Sin conocimiento suficiente para poder responder
Las actividades han enfocado problemas y políticas muy relevantes en mi país	1☐	2☐	4☐	5☐	9☐
Las actividades han enfocado problemas y políticas muy relevantes para la región	1☐	2☐	4☐	5☐	9☐
Las actividades han permitido entender bien los obstáculos para la inclusión financiera de las PYMES	1☐	2☐	4☐	5☐	9☐

La calidad y competencia de los expositores en los eventos han sido adecuadas	1☐	2☐	4☐	5☐	9☐
La estructura de las actividades ha sido correcta, manteniendo un buen equilibrio entre información y discusión	1☐	2☐	4☐	5☐	9☐
Las presentaciones estaban bien orientadas a identificar y solucionar problemas	1☐	2☐	4☐	5☐	9☐
Las actividades han sido pertinentes para mis actividades profesionales	1☐	2☐	4☐	5☐	9☐
Los eventos han promovido la interacción y el intercambio de experiencias entre los participantes	1☐	2☐	4☐	5☐	9☐
Los espacios de discusión eran suficientes para permitir un intercambio positivo	1☐	2☐	4☐	5☐	9☐
Las actividades han permitido un aumento de mis capacidades técnicas	1☐	2☐	4☐	5☐	9☐
Las actividades proporcionaron nuevas herramientas prácticas para mi trabajo diario	1☐	2☐	4☐	5☐	9☐

4. ¿Las actividades y eventos del proyecto en los cuales usted ha participado, han respondido a sus expectativas?

☐ Sí
☐ No
☐ Por favor, explicar: ________________________________

SECCIÓN B: PUBLICACIONES Y ESTUDIOS

En el marco del proyecto se desarrollaron las siguientes publicaciones y estudios (distribuidos en copias impresas y disponibles y disponibles en el sitio web del proyecto [http://www.cepal.org/……………..]):

Informes regionales:

- *Inclusión financiera para la inserción productiva de las empresas de menor tamaño en América Latina: Innovaciones, factores determinantes y prácticas de las instituciones financieras de desarrollo. Informe regional, 2018*
- *Inclusão financeira para a inserção produtiva de empresas de menor porte na América Latina: Inovações, determinantes e práticas de instituições financeiras do desenvolvimento. Informe regional, 2018*

Informes Nacionales

- *Inclusión financiera de las pequeñas y medianas empresas en la Argentina, 2018*
- *Inclusão financeira de pequenas e médias empresas no Brasil, 2017*
- *Inclusión financiera de la pequeña y mediana empresa en Colombia, 2016*
- *Inclusión financiera de la pequeña y mediana empresa en Costa Rica, 2017*
- *Inclusión financiera de las pymes en el Ecuador, 2016*
- *Promoción de finanzas incluyentes mediante prácticas innovadoras de la banca de desarrollo: el caso de las pymes en México, 2016*
- *Inclusión financiera de las micro, pequeñas y medianas empresas en el Perú: experiencia de la banca de desarrollo, 2017*

Estudio de casos

- *Instrumentos para la inclusión financiera: el caso de Colombia, 2017*
- *Instrumentos para la inclusión financiera: el caso del Ecuador, 2017*
- *Instrumentos para la inclusión financiera: el caso de México, 2017*

5. ¿Conoce o ha leído al menos una de dichas publicaciones y/o estudios?

☐ Sí
☐ No (salta a la sección C)

6. ¿Ha Ud. Cargado uno o más de estos documentos desde el sito del proyecto?

☐ Sí
☐ No

7. Por favor, indique su nivel de conocimiento sobre las publicaciones y documentos mencionados arriba que usted conoce o llegó a utilizar.

☐ Nada
☐ Poco
☐ Suficiente
☐ Bastante

8. En general, ¿cómo calificaría la calidad de las publicaciones/documentos con los cuales está familiarizado?

☐ Muy mala
☐ Mala
☐ Buena
☐ Muy buena

9. ¿Hasta qué punto le parece que las publicaciones/estudios son relevantes para mejorar la inclusión financiera de las PYMES en su país?

- [ ] Nada relevantes
- [ ] Poco relevantes
- [ ] Relevantes
- [ ] Muy relevantes

10. Por favor, indique el grado de utilidad para su trabajo de las publicaciones/documentos de las cuales usted tiene conocimiento

- [ ] Nada útil
- [ ] Poco útil
- [ ] Útil
- [ ] Muy útil

11. De acuerdo a su conocimiento de los informes nacionales/regionales y del contexto financiero de su país, ¿Cómo considera que ha sido la distribución de estos documentos en su país?

- [ ] Masiva
- [ ] Buena
- [ ] Regular
- [ ] Escasa
- [ ] Sin conocimiento para poder responder

SECCIÓN C: PLATAFORMA

12. Una de las actividades finales del proyecto "Innovación para inclusión Financiera de PYMES" de la CEPAL es de ofrecer una Plataforma on-line para los operadores. ¿Conoce o ha utilizado alguna vez esta plataforma?

- ☐ Sí
- ☐ No (salta a la sección D)

13. ¿Hasta qué punto le parece que los contenidos y los servicios ofrecidos por la plataforma sean relevantes al contexto de su país?

- ☐ Nada relevantes
- ☐ Poco relevantes
- ☐ Relevantes
- ☐ Muy relevantes

14. Con cuanta frecuencia ha consultado esta plataforma?

- ☐ Nunca
- ☐ Raramente
- ☐ Algunas veces
- ☐ Frecuentemente

15. En general, ¿cómo calificaría la calidad de la información de esta plataforma?

- ☐ Muy mala
- ☐ Mala
- ☐ Buena
- ☐ Muy buena

16. Por favor, indique el grado de utilidad para su trabajo de la información y servicios contenida en la plataforma

- ☐ Nada útil
- ☐ Poco útil
- ☐ Útil
- ☐ Muy útil

17. Por favor, indique cualquier sugerencia para mejorar la calidad y el impacto de esta plataforma

SECCION D: Información sobre actividades <u>después</u> de la participación en los eventos del proyecto *"Innovación para inclusión Financiera de PYMES'* de la CEPAL

18. Considerando su experiencia general con las actividades y productos del proyecto "Innovación para inclusión Financiera de PYMES' de la CEPAL, por favor indique el grado en que éstas han favorecido/mejorado su conocimiento de los siguientes temas:

	Mucho	*bastante*	*poco*	*nada*	**Sin conocimiento suficiente para poder responder**
La necesidad de que los bancos de desarrollo introduzcan nuevos productos para las PYMES	*1*☐	*2*☐	*4*☐	*5*☐	*5*☐
La utilización de los datos para planear nuevas políticas de apoyo a las PYMES	*1*☐	*2*☐	*4*☐	*5*☐	*5*☐
La identificación de las barreras a la inclusión financiera de la PYMES.	*1*☐	*2*☐	*4*☐	*5*☐	*5*☐
La necesidad que el Gobierno diseñe una legislación adecuada para mejorar la inclusión financiera de las PYMES	*1*☐	*2*☐	*4*☐	*5*☐	*5*☐
La necesidad de alianzas publico-privadas para mejorar la inclusión financiera de las PYMES	*1*☐	*2*☐	*4*☐	*5*☐	*5*☐
La necesidad de análisis y dados para conocer la demanda de servicios financieros de las PYMES	*1*☐	*2*☐	*4*☐	*5*☐	*5*☐
Las innovaciones posibles para facilitar la inclusión financiera de las PYMES	*1*☐	*2*☐	*4*☐	*5*☐	*5*☐
El diseño de instrumentos específicos para ofrecer servicios financieros a las PYMES y fomentar su inclusión financiera.	*1*☐	*2*☐	*4*☐	*5*☐	*5*☐
Las experiencias exitosas de otros países que pueden replicarse	*1*☐	*2*☐	*4*☐	*5*☐	*5*☐
La definición de indicadores específicos que permitan comparar los diferentes países y medir el éxito de las políticas	*1*☐	*2*☐	*4*☐	*5*☐	*5*☐

19. Después de su participación en las actividades desarrolladas en el marco del proyecto "Innovación para inclusión Financiera de PYMES" de la CEPAL, ¿Considera que su capacidad y/o la de su equipo de trabajo ha mejorado para enfrentar los problemas de la inclusión financiera de las PYMES?

☐ Sí, ha mejorado enormemente
☐ Sí, ha mejorado un poco
☐ No, sigue como antes
☐ Sin conocimiento suficiente para poder responder

20. Después de su participación en las actividades desarrolladas en el marco del proyecto "Innovación para inclusión Financiera de PYMES" de la CEPAL, ¿Usted ha utilizado de alguna manera la experiencia y/o los conocimientos adquiridos en su trabajo?

☐ Sí
☐ No

20 bis. (Si contesta sí) Por favor, indique con qué frecuencia ha utilizado el conocimiento y/o los materiales generados por el proyecto "Innovación para inclusión Financiera de PYMES" de la CEPAL

☐ Raramente
☐ Algunas veces
☐ Frecuentemente

21. Por favor indique cuán importantes fueron los siguientes cambios como resultado de su participación en el proyecto.

	Muy importante	**Importante**	**Poco Importante**	**Nada Importante**	**Sin conocimiento suficiente para poder responder**
Ha permitido introducir nuevos conceptos en mi actividad	1☐	2☐	4☐	5☐	5☐
Ha fomentado el desarrollo de nuevos instrumentos para la inclusión financiera de las PYMES.	1☐	2☐	4☐	5☐	5☐
Ha permitido aumentar la consciencia del rol de los bancos de desarrollo en soportar la inclusión financiera de las PYMES	1☐	2☐	4☐	5☐	5☐
Ha elaborado la necesidad del monitoreo de las actividades en soporte a la inclusión financiera de las PYMES	1☐	2☐	4☐	5☐	5☐
Ha fomentado la definición de políticas publicas adecuadas para mejorar la inclusión financiera de las PYMES	1☐	2☐	4☐	5☐	5☐
Ha fomentado nuevos contactos con instituciones que trabajan en el mismo sector	1☐	2☐	4☐	5☐	5☐

22. ¿Según su conocimiento, los bancos de desarrollo de su país han recientemente desarrollado nuevos instrumentos/productos/procesos para PYMES?

☐ Sí
☐ No
☐ Sin conocimiento para poder responder

23. ¿Según su conocimiento, <u>los bancos comerciales u otras instituciones financieras</u> de su país han recientemente desarrollado nuevos instrumentos/productos/procesos para PYMES?

- ☐ Sí
- ☐ No
- ☐ Sin conocimiento para poder responder

23bis (si contesta "sí" a una u ambas precedentes cuestiones):
Podría especificar el nuevo instrumento/producto/proceso

24. ¿Ha tenido contacto con otros participantes tras su participación en las actividades del proyecto "Innovación para inclusión Financiera de PYMES" " de la CEPAL?

- ☐ Sí
- ☐ No (Salta a pregunta 26)

25. ¿Estos contactos tenían referencia a problemas de inclusión financiera para PYMES?

- ☐ Sí
- ☐ No

26. Por favor, indique cualquier sugerencia para mejorar la calidad y el impacto de este tipo de proyectos y eventos

SECCION E : ANTECEDENTES PERSONALES

27. Por favor, marque en qué país trabaja (seleccione sólo una opción)

- ☐ Argentina
- ☐ Bolivia
- ☐ Brasil
- ☐ Chile
- ☐ Costa Rica
- ☐ Colombia
- ☐ Cuba
- ☐ Ecuador
- ☐ El Salvador
- ☐ Guatemala
- ☐ Guyana
- ☐ Honduras
- ☐ México
- ☐ Nicaragua
- ☐ Panamá
- ☐ Paraguay
- ☐ Perú
- ☐ Rep. Dominicana
- ☐ Suriname
- ☐ Trinidad
- ☐ Uruguay
- ☐ Venezuela
- ☐ Otro. Por favor, especifique _________

28. Por favor indique su sexo

- ☐ Masculino
- ☐ Femenino

29. Edad

- ☐ Menos de 25
- ☐ 26-35
- ☐ 36-45
- ☐ 46-60
- ☐ Más de 61

30. Nivel de estudios

- ☐ Grado universitario
- ☐ Post- grado
- ☐ Doctorado
- ☐ Otros

31. ¿Dónde trabaja actualmente? Elija solo una opción (el lugar de trabajo mas importante)

- ☐ Institución Gubernamental / Ministerio
- ☐ Banca Desarrollo
- ☐ Banca Comercial
- ☐ Banco Central
- ☐ Otra Institución Financiera
- ☐ Consultor independiente
- ☐ Universidad / Institución de investigación
- ☐ Empresa privada / Gremio de empresas privadas
- ☐ ONG / Sociedad Civil
- ☐ Otro. Por favor, especifique: _______________

32. ¿Cuál es su cargo actual?

- ☐ Gerente / Director
- ☐ Oficial técnico
- ☐ Oficial administrativo
- ☐ Investigador
- ☐ Académico
- ☐ Otro. Por favor especifique: ________________________

33. ¿Cuál es su actividad principal (puede marcar más de una opción)?

- ☐ Desarrollo / preparación instrumentos financieros para PYMES
- ☐ Gestionar acciones de apoyo a las PYMES
- ☐ Diseñar políticas gubernamentales de apoyo a la inclusión financiera
- ☐ Evaluar / gestionar solicitudes de préstamo de PYMES
- ☐ Realizar Investigación académica en el área de instrumentos financieros para PYMES
- ☐ Consultorías en gestión financiera para el sector privado
- ☐ Abogacía y cabildeo representando una Organización no Gubernamental y/o una Organización de la Sociedad Civil para PYMES
- ☐ Empresario / gerente de negocios
- ☐
- ☐ Otra; Por favor especifique: ________________________

34. ¿Cómo ha conocido Ud. el proyecto "Innovación para inclusión Financiera de PYMES' de la CEPAL?

- ☐ A través de una comunicación de CEPAL a mi organización / agencia
- ☐ Invitado directamente por CEPAL
- ☐ Página web de la CEPAL
- ☐ Prensa
- ☐ Participación en otro evento (conferencia / seminario /etc.)
- ☐ De otro participante
- ☐ Otro. Por favor, especifique: ______________

<u>Muchas gracias, el cuestionario para Ud. termina aquí.</u>