Report Number : ICRR0021123

1. Project Data

Project ID	Project Name
P123367	MX Savings and Credit Sector Loan
Country	**Practice Area(Lead)**
Mexico	Finance, Competitiveness and Innovation

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
IBRD-81070	31-Jul-2015	209,620,000.00
Bank Approval Date	**Closing Date (Actual)**	
01-Dec-2011	21-Jul-2017	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	100,000,000.00	0.00
Revised Commitment	69,570,296.22	0.00
Actual	69,570,296.22	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Project Objectives and Components

a. Objectives

The objectives of the Project were to support the: (a) consolidation of the savings and credit institutions (SCIs); and (b) deepening of financial inclusion in Selected Areas and Selected Locations. (Schedule 1, page 6 of the Loan Agreernent dated December 13, 2011).

Savings and Credit Institutions (SCIs) consist of savings and credit entities (SCEs), the Confederation, Federations, Self-Regulatory Body, Auxiliary Supervision Committee, and Deposit Protection Funds. Selected Areas and Locations refer to any marginal areas with populations of less than 100,000.

The Project Appraisal Document (PAD) and the Implementation Completion and Results Report (ICR) state the PDOs exactly as in the Loan Agreement.

b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Will a split evaluation be undertaken?

No

d. Components

The project had the following main components:

Component 1: Consolidation and strengthening of savings and credit institutions (appraisal estimate, US$25.75 million; actual cost, US$18.4 million)
This component was intended to: (i) provide training and technical assistance to strengthen SCIs; (ii) provide training and technical assistance to strengthen second- and third-tier credit institutions, i.e., the Confederation, Federations, Self-Regulatory Bodies, Auxiliary Supervision Committees, and deposit protection funds to enhance their performance of their roles; (iii) finance studies and database creation; and (iv) finance communication and dissemination activities related to certification and reporting requirements. The component also provided support to: (i) assist in the transition of SCEs toward being certified by the National Banking and Securities Commission (CNBV); and (ii) provide for an orderly exit of those financial institutions that would not be certified.

Component 2: Broadening of access to financial services and products (appraisal estimate, US$140.05 million; actual cost, US$114.3 million)
This component provided support to: (i) expand the membership base in existing entities (notably PATMIR, which is the Regional Rural Microfinance Technical Assistance Program of BANSEFI--the National Bank for Savings and Financial Services); (ii) expand the membership base in unserved or underserved municipalities *(Corresponsales)* through agency banking; (iii) expand the range of financial services to entities and clients (*I@ Red de la Gente*-a network offering a range of financial services, such as remittances, third-party payments, microinsurance, etc.); and (iv) finance a financial education initiative.

Component 3: Strengthening BANSEFI capacity (appraisal estimate, US$26.07 million; actual cost, US$ 34.9 million)
This component was intended to: (i) expand the technological capacity of BANSEFI, including its platform's mainframe; (ii) provide technical assistance to BANSEFI's staff on topics related to this Project; and (iv) conduct a number of dissemination and public campaign operations related to the functional capabilities of BANSEFI's information technology platform and its brand as a development bank.

Component 4: Project management (appraisal estimate, US$17.50 million; actual cost, US$5.1 million)

This component provided technical assistance, training and material support to BANSEFI's staff, consultants, and providers of non-consulting services to assist them in implementing the project. The actual cost was much less than the appraisal estimate because (I) lower-than-expected budget allocation between 2015 and 2017; (ii) BANSEFI did not fully use its allocated budget; (iii) implementation delays due to changes in BANSEFI's management; and (iv) the devaluation of the Mexican peso against the US dollar (ICR, paragraph 13).

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost:
At appraisal, the total project cost was estimated at US$209.6 million. The actual project cost was US$172.9 million (ICR, Annex 3).

Financing:
Of the total US$209.6 million, the Bank IBRD loan was US$100 million and local beneficiaries were expected to provide US$15.3 million. The total loan disbursement was US$69.6 million, or about 70 percent of the originally approved loan amount. About US$31 million of the Bank loan was cancelled on November 21, 2017 due to slow disbursements. The actual contribution of local beneficiaries was US$21 million.

Borrower Contribution:
The Borrower's financing amounted to US$82.3 million compared with an estimated US$94.3 million at appraisal.

Dates:
The project was approved on December 1, 2011 with an original closing date of July 31, 2015. A midterm review (MTR) was conducted on November 18, 2013. The project was restructured twice to extend the closing date and update the results framework. The first restructuring was on July 31, 2014 (eight months after the MTR), which extended the project for 17 months to December 31, 2016; the second restructuring was on December 13, 2016, which further extended the closing date to July 21, 2017. The total of closing date extensions of was just below two years.

3. Relevance of Objectives

Rationale

At the time of appraisal in October 2011, the Mexican economy was recovering from a deep recession and agriculture, which was and still is an important source of rural income, grew by 8.1 percent. The PAD (paragraph 4) noted that, despite a modern regulatory framework the Mexican financial sector was small relative to the size of the economy, and access to financial services was limited. Private sector credit--at 21

percent of GDP in 2008--was well below that of other comparable high middle-income countries, such as Brazil and Chile. Commercial bank assets, for example, were 45 percent of GDP in Mexico, compared to 85 percent in Brazil and 110 percent in Chile.

The penetration rate of financial services was low. Specifically, 53 percent of 2,456 municipalities (especially those with populations less than 50,000) had no bank branch when the project was appraised. There were also sharp regional variations, with 73 percent of municipalities in the south and southeast having no bank branch. Of the total population, 65 percent seemed to have no access to formal financial services. In the lowest two categories of annual incomes, coverage was barely 20 percent, whereas it was 100 percent for the two topmost income categories. Rural access to financial services was about 6 percent compared to 25 percent for urban areas (PAD, paragraph 5)

At appraisal, the relevance of the project's objectives was substantial, given the clearly vast number of the Mexican population that was unserved or underserved by financial services. The project responded directly to the high priority given by the Government's strategy to promote financial inclusion in the Mexican development agenda. This was evidenced by: (i) its enactment of the Popular Savings and Credit Law (LACP) in 2001; (ii) the creation of the National Bank for Savings and Financial Services (BANSEFI) also in 2001; and (iii) the issuance of the Law to Regulate the Activities of Savings and Loan Cooperatives (LRASCAP) 2009. The project also supported the Bank's Country Partnership Strategy 2008-2013 (CPS) and the CPS Progress Report 2008-2010, specifically its two pillars of supporting competitiveness, as well as social inclusion and poverty reduction (PAD, paragraph 13).

The relevance of the project's objectives when the project closed remained substantial and in line with the CPS 2014-2019. Increasing access to finance and improving financial inclusion is a highly important aspect under Theme 1 "Unleashing Productivity" of the section on "Fostering sound financial sector development." The financial inclusion targets are also consistent with the gender-specific targets of the CPS.

Rating
Substantial

4. Achievement of Objectives (Efficacy)

Objective 1
Objective
PDO 1: To support the consolidation of the savings and credit institutions (SCIs)

Rationale
Outputs:

More than 300 SCEs received over 1,500 specialized technical assistance (TA) and training sessions (amounting to about MX$132 million) to help them comply with regulations, improve their financial and

operational performance, and strengthen their managerial and operational capacity.

96 of the 98 authorized SCEs received over 600 specialized technical assistance programs to strengthen their operations, achieve compliance, and obtain the certification.

BANSEFI contracted specific training activities in coordination with the National Bank for Savings and Financial Services (CNBV) and the Confederation, to address the needs of certified SCEs. More than 60 percent of the support sought to improve risk management, credit process, corporate governance and internal control; the rest supported strategic planning, certification costs, compliance with Anti-Money Laundering regulation, and auxiliary supervision.

Outcomes:

The main outcomes that demonstrate achievement of the objective of consolidating savings and credit institutions include the following: (i) transition to formal management and regulation of nearly all the assets of the savings and credit sector by regulated and supervised SCEs; (ii) financial performance improvements among certified SCEs; and (iii) support for the orderly exit of financially and operationally unviable SCEs. These are discussed quantitatively and in more detail below based on paragraphs 19 to 22 of the ICR.

The quasi-totality of the sector's assets and clients is now formally managed by regulated and supervised SCEs. At present, 91 percent of total assets and 87 percent of total clients are managed by 202 authorized SCEs, compared to around 73 percent of assets and clients managed by 104 authorized entities in October 2011. As a result, 9.5 million members of SCEs in urban areas are now protected by a deposit insurance, compared to 6.1 million in December 2011 and well beyond the target of 8.0 million.

Improvements were achieved in the financial performance of the certified SCEs. The average non-performing loan (NPL) ratio decreased from 8.8 percent in October 2011 (the baseline) to 5.7 percent in July 2017. The Return over Equity (ROE) and coverage ratios of financial cooperatives increased from 9.5 percent and 106.7 respectively in December 2011 to 14.6 percent and 126.1 in June 2017.

The SCEs could now maintain a higher capital asset ratio (CAR) than required by CNBV, despite the growth in assets (i.e., +118 percent since 2011 for the newly authorized entities). At present, 174 entities have a CAR above 150 percent, which indicates that the SCEs are sufficiently capitalized to mitigate potential risks arising from this rapid asset growth.

The TA and training provided to SCEs is associated with an increase of their assets of about 33 percent, an increase of the number of members of about 28 percent, and to an increase of deposits of about 31 percent.

A formal impact evaluation contracted under the project indicated that the SCE beneficiaries consider the technical assistance programs and training as having value added for improving their performance.

The project also resulted in an organized exit process for the unviable SCEs: 27 SCEs were merged, liquidated or their assets and liabilities transferred, 15 of them with direct project support. This represented

85,282 members and MX$1,263 million of deposits. The number of SCEs merged or liquidated increased from 15 in October 2011 to 42 in July 2017.

Rating
Substantial

Objective 2
Objective
PDO 2: To support the deepening of financial inclusion in selected areas and selected locations

Rationale
Outputs:

This project built on previous efforts to improve financial inclusion under two Regional Rural Microfinance Technical Assistance Programs (PATMIR I and II) launched by the Ministry of Agriculture, Livestock, Rural Development, Fisheries and Food in 2001. The ICR records that between 2001 and 2010 PATMIR I and II proved to be highly successful, with 1,027,449 new members who complied with the eligibility criteria (location, average balance, among others). The PATMIR program was transferred to BANSEFI in 2010

In addition, the authorized SCEs mainstreamed 3.4 million new clients into the formal financial sector, representing a 56 percent increase since 2011.

BANSEFI expanded the number of financial service points by three times, from 1,827 in October 2011 to 5,649 in July 2017.

More than 1.0 million new members gained financial access in marginal/rural areas, of which 58.8 percent were women. The PATMIR program (i.e., BANSEFI's Regional Rural Microfinance Technical Assistance Program), which was specifically focused on expanding the financial inclusion in rural areas, expanded services to unbanked areas and incorporated new members.

Rural people increased their number of transactions in the formal financial sector, including deposits, withdrawals, and balance checks. According to the ICR (paragraph 28, page 12), 69 percent of the incremental number of banking agents were located in areas with no prior presence of BANSEFI branches and 58 percent in areas with no *L@ Red de la Gente* partners. During the second half of 2016, 25,984 transactions were completed through these banking agents, which represents a growth of transactional volume that is 3.5 times that of the second half of 2015.

Financial education and outreach programs were directed to SCEs and their members. Of the 202 authorized entities as of July 2017, TA or training was provided to 173 SCEs under the Technical Assistance and Training Program (i.e., the “Programa de Asistencia Técnica y Capacitación”, or PATyC).

About 1.8 million people received financial education in selected marginal areas and selected urban and rural locations.

Outcomes:

The achievement of the objective of supporting the deepening of financial inclusion in selected areas and selected locations is demonstrated by the following: (i) the large number of new clients that have been mainsteamed into the formal financial sector through authorized SCEs; (ii) a significant increase in the number of branches and financial intermediation; (iii) new savings (of at least 6 months) by people who previously did not use banking services--via the project-supported PATMIR III program; and (iv) the three-fold increase in the number of service points providing financial services for BANSEFI's clients. These are discussed quantitatively and in more detail below based on paragraphs 23 to 33 of the ICR..

This project built on previous efforts to improve financial inclusion under two Regional Rural Microfinance Technical Assistance Programs (PATMIR I and II) launched by the Ministry of Agriculture, Livestock, Rural Development, Fisheries and Food in 2001. The ICR records that between 2001 and 2010 PATMIR I and II proved to be highly successful, with 1,027,449 new members who complied with the eligibility criteria (location, average balance, among others). The PATMIR program was transferred to BANSEFI in 2010 (paragraph 26 and footnote 17).

Building on the achievements of PATMIR I and II, this project-supported a third phase, PATMIR III (2011 to 2016) which resulted in more than 1 million additional members becoming financially included. Of this number 59 percent were women (thus exceeding the PDO target of 50 percent), 29 percent were from indigenous regions, 57 percent were located in high and very marginalized areas, and 50 percent lived in rural towns with less than 2,500 inhabitants. From 2012 to 2016, with an investment of MX$1,216 million, PATMIR III generated MX$6,141 million in savings, MX$6,054 million in credits, and MX$1,978 million in insurance (ICR, paragraph 26).

An impressive result of PATMIR III was that people who were not previously banking their surpluses have continued to put money aside for emergencies or for other future needs, in saving accounts for at least 6 months (ICR, paragraph 27). Aside from promoting the good habit of savings, the savings accounts under the program were also much higher than the credits. An impact evaluation dated 2016 financed under the Project confirmed the positive impact of PATMIR III on the people that were financially included through this program, compared with the people who were not part of the program.

At project completion, about 4.5 million people in the area covered by the project had new points of access to make deposits, withdraw money, check balances, and make payments. Of this total, 51 percent were from municipalities with less than 100,000 inhabitants, and 2 percent from isolated municipalities that did not have any access point to financial services before. The number of transactions performed by this segment of the population through banking agents experienced substantial growth, from 2,500 transactions per month in 2016 to an average of 20,000 transactions per month in the first semester alone of 2017.

This project also supported Mexico's Social Inclusion Program (PROSPERA). The ICR states that about 1.6

million new debit cards with chips (compared with a total number of 7.0 million) were issued to beneficiaries of PROSPERA. These cards enabled direct access to basic financial services such as credit, savings and microinsurance, as well as other benefits such as funeral insurance. A 2017 study confirmed that debit cards provided easier access to savings and monitoring of bank account balances, which helped build trust in a financial institution. Compared to not saving before obtaining the debit card, the study also showed that beneficiaries began to increase their savings when trust was established after 1 to 2 years, causing an increase in the savings rate to 3 to 5 percent of income (paragraph 31).

Rating
Substantial

Rationale
Since the efficacy of each objective is substantial the overall rating of the project's efficacy is rated substantial.

Overall Efficacy Rating
Substantial

5. Efficiency

The Project Appraisal Document (PAD, page 13) used a break-even analysis approach for the main components to determine the minimum benefits that the project needed to generate in order to achieve at least a 12 percent rate of return. The rationale for the assumptions made in the break-even analysis were not fully clear or replicable for the purposes of the ICR. The economic analysis of TA has proven difficult due to problems of quantification, attribution, multiple-generation effects, and the lack of disaggregated financial flows.

The ICR assessed project efficiency by conducting a qualitative assessment that contrasted the value of project achievements against costs. For example, Component 1, which supported SCEs, is associated with an increase in their assets of about 33 percent, an increase in the number of members of about 28 percent, and an increase in deposits of about 31 percent. Without adequate measurement of the value of these achievements, the ICR asserted that the combined effects of TA, financial education programs, and capacity-building activities contributed "efficiently" to the enhancement of the institutional and financial performance of SCEs and BANSEFI.

By way of contrast, the high investments in technology and IT support provided by BANSEFI had very limited usage by the SCEs, which the ICR determined detracted from the project’s efficiency. Although the technological platform supported improvements in BANSEFI’s operations, particularly in branches located in rural areas, it was less successful in supporting SCEs. The IT platform had cost-overruns due to

implementation challenges and changes in the business strategy. The actual amount invested (US$34.9 million), which was about 20 percent of project costs, was US$8.8 million higher than the amount originally estimated. Despite the higher costs, the technological platform was of limited use to the SCEs because of issues in the design and implementation of the core banking tool, which led to shortcomings in its functionality (paragraph 36).

The ICR (paragraph 37) cites sector-wide and macroeconomic benefits from a well-regulated and supervised SCE sector, and increased access to finance for the poor. The ICR considered these as efficiency gains, with positive social implications, by preventing potential financial problems and negative impacts in the low income population that uses these services. The project led to SCE sector growth and outreach to under-banked populations in rural areas, which resulted in increased access by the poor to financial services. According to the ICR the enhanced access to financial services enabled low-income populations to benefit from opportunities to establish secure savings. The ICR also suggests a positive efficiency impact resulting from the implementation of PATMIR III, due to the increased number and type of people financially included, as well as the increase in their use of financial services.

More important, however, were the improvements made in the technical management efficiency of credit institutions as a result of the project. At an operational level, project implementation benefited from highly qualified and experienced teams in the executing agency as well as advice from the Bank's task team. Specifically, BANSEFI's staff was able to build up its capacity--through the project's support--to mainstream best practices in supporting savings and credit entities, particularly in the areas of implementing programs for financial education and financial inclusion. The project's direct contribution was to establish a continuous mechanism for training intermediary agencies and beneficiaries, learning lessons, and enhancing quality control. This meant that the expansion and improvement of BANSEFI's own capabilities was being functionally disseminated throughout the savings and credit sector--thus strengthening the sector's overall operating environment and efficiency with no reported arrears in repayment of loans.

In addition, the relatively low project management costs (5.1% of actual total project costs) was well below the proportion at appraisal (17.5%) suggesting a financially efficient implementation of this project.

In summary, this Review notes the absence of a measure of economic efficiency such as an economic rate of return because of the difficulties associated with an economic analysis of technical assistance financed by this project. Nevertheless, taking account of the creditable improvements in technical and financial management efficiency in BANSEFI, the plausible effectiveness of the gains resulting from the consolidation of the savings and credit institutions and the deepening of financial inclusion, as well as the overall efficiency of the project's implementation the efficiency of this project is rated substantial.

Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 ☐Not Applicable
ICR Estimate		0	0 ☐Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The relevance of the project's objectives is rated substantial. The project's efficacy is also rated substantial because the project substantially achieved its development objectives of supporting, namely (a) the consolidation of savings and credit institutions and (b) the deepening of financial inclusion in selected areas and selected locations. Efficiency is also rated substantial. This Review concluded that this project had minor shortcomings and its outcome is therefore rated satisfactory.

a. Outcome Rating

Satisfactory

7. Risk to Development Outcome

Four risks to development outcome were identified in the ICR (paragraph 73). First, the potential difficulties in obtaining continued financial support from the Federal Government is a high risk. Second, there were medium risks that the direct support to the SCI sector would be reduced in favor of other initiatives that were more focused on BANSEFI's direct role in achieving financial inclusion and financial education. Third, there was also a medium risk that the new Government would cause delays or change priorities. Fourth, there was a risk, albeit low, that implementation procedures would be changed in a way that would lead to the deterioration in the quality of the activities, since there was no further obligation to maintain the same standards after the closure of the Bank-assisted project.

The ICR noted in paragraph 70 that, while BANSEFI's important role in terms of access to finance and support to the sector was recognized, private and public stakeholders agreed on the need to continue the activities and initiatives to strengthen the SCE sector, which were expected to face increased prudential regulatory requirements. Consequently, the SCE sector would require further improvements in governance, policies and procedures, strategic planning, risk management, and technology investments. Regarding the resolution of non-viable SCEs, the Government was considering legal amendments to: (i) clarify and increase enforcement capacity governing the process of liquidation, merger, and transfer or assets and liabilities, and (ii) include minimum entry standards to create new, "basic" (societies with assets below US$750,000) financial

cooperatives.

According to the ICR large financial services entities will in future be supervised and most of their assets and members are covered. However, the ICR notes that there are still 76 SCEs that need to be liquidated or merged, with assets and liabilities remaining to be transferred as appropriate. Moreover, the number of non-certified SCEs has increased from about 400 in 2012 to 658 in mid-2017. Although their share of sector assets has diminished, this growth in basic SCEs indicate deficiencies in (i) the minimum requirements for creating a new financial cooperative and (ii) the process for liquidating unviable entities. These deficiencies demand much time and supervisory efforts to address, and could have a negative impact on the reputation of the sector. While this remaining consolidation agenda is not expected to derail the reform process, the remaining issues need to be addressed to prevent potential reputational risks in the medium term. Thus, to mitigate these risks, technical assistance to strengthen the performance of SCEs need to continue, focused on the specific areas where SCEs need support and strong coordination with CNBV (paragraph 71).

Risks to sustained financial inclusion remain, not only because of challenges in expanding membership of SCEs, but also because of the obstacles to ensuring access to adequate financial services for new members.. Under PATMIR, BANSEFI expects to maintain its strategic alliances with technical agents and rely on building the capacity of staff trained by technical agents within each SCE. BANSEFI is also active in the Comprehensive Financial Education Strategy, and expects to keep providing financial education to diverse groups, including personnel in SCEs, teachers, students, parents, migrants, and other vulnerable people. PATMIR is also attending to migrant populations (ICR, paragraph 72).

8. Assessment of Bank Performance

a. Quality-at-Entry

The PAD points out that since 2001, the Bank has partnered closely with the Government of Mexico to support Mexico's financial sector, and more specifically its savings and credit institutions. Through various instruments, the Bank has played a convening role across diverse stakeholders and provided policy advice, investment financing, and the piloting of innovative rural financial services. Projects with BANSEFI, for example, combined: (i) financial support; (ii) advisory services that have led to new approaches for deepening financial services, such as correspondent and mobile phone banking; and (iii) coordination with other donors, such as the Gates Foundation for piloting the correspondent banking initiative. The Bank's assistance to the savings and credit sector includes two projects that focused on pursuing the Government's financial inclusion objective by improving: (i) the performance of sector institutions; and (ii) access of marginal rural populations to financial services through new membership (paragraph 2).

At entry, the Bank provided substantial technical support for project preparation in the context of other ongoing operations and strong analytical work. The Bank focused on the strategic relevance of the SCI sector and adequately took into account the technical issues in designing the project's components and activities. Financial and economic aspects were also analyzed well. Poverty, gender and social development aspects were taken into account. However, as mentioned in paragraph 65 of the ICR, one significant shortcoming was

the under-estimation of the timeframe necessary for fully implementing the project's activities and achieving the targeted outcomes. Thus, the project, which was originally designed for completion in 3 years and 7 months, required two closing date extensions for a total of almost two additional year. The design of the M&E framework also had some shortcomings, as discussed in Section 9 below.

Quality-at-Entry Rating

Moderately Satisfactory

b. Quality of supervision

According to the ICR (paragraphs 67 and 68), the Bank team was proactive and responsive to the client's needs, by identifying the challenges and helping address the risks to the achievement of the PDOs. The ISRs and Aide-Memoires accurately reflected the discussions and exchange of ideas between the BANSEFI staff and the Bank's project team. The Bank's field missions met with both the relevant BANSEFI Departments and the diverse stakeholders (including beneficiaries, other public sector agencies, and SCEs) to directly assess the shortcomings and discuss the best ways to address them. It is reported in paragraph 67 that BANSEFI staff found the Bank team's Aide-Memoires to be clear and useful. The situations requiring reallocation of funds (e.g., due to delays in the legal framework's entry into force, budget cuts, prioritization of new activities prioritized) were discussed and agreed between BANSEFI and the Bank in a timely manner.

However, changes to some target indicators near the project's closing date were not warranted. Some target indicators were reduced and while others were increased at the second restructuring of December 2016 even though the project was due to close in 7 months. Two indicator targets were revised downwards when it became clear that project funds would not be fully disbursed. One indicator was revised upwards.

Quality of Supervision Rating

Moderately Satisfactory

Overall Bank Performance Rating

Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The PAD specified that the responsibility for M&E will be with BANSEFI's implementing departments. It noted that a comprehensive M&E arrangement is already in place for the training and technical assistance and the outreach components, consisting of consultant and providers of non-consulting services presentations and reports, discussions by BANSEFI with entity managements, and group discussions with members of entities (paragraph 35)

The M&E framework was adequate overall for monitoring and measuring PDO achievement, and for

demonstrating the validity of the causal links along the results chain. However, the design and rationale for some of the indicators could have been improved. Definitions of some indicators became necessary, and the results framework had to be revised during the project's first restructuring in 2014. The targets and results framework had to be revised again during the second restructuring in 2016. Beyond the official results matrix, BANSEFI monitored about 38 additional indicators to assess the project's implementation progress. As indicated in the ICR (paragraph 60), BANSEFI conducted regular studies and evaluations including the impact evaluations of Component 1, PATMIR and the pilot of Financial Literacy for Kids and Youth population.

b. M&E Implementation

BANSEFI reported systematically on the project's progress in meeting the PDO indicators. To this end it prepared and submitted to the Bank a semi-annual Project Report that included: (i) a summary of the activities performed during the period for each project component; (ii) the updated table with the performance of the PDO indicators and Intermediate Results Indicators; (iii) the different types of tenders, financial information of the loan; and (iv) future actions. Periodic financial and other performance indicators were also aggregated. Information collection benefitted from a sector database that BANSEFI created, and specific sources such as the database for new members under PATMIR III. A comprehensive M&E system was also put in place for the training, technical assistance, and outreach components. There were annual workshops with participating consultants and providers of non-consulting services to discuss their approaches, results, success factors, constraints, and recommendations for improving the approach to providing assistance to the sector.

c. M&E Utilization

According to the ICR (paragraph 59) M&E results were used to inform Bank project management and decision-making, as well as BANSEFI management's strategic planning and implementation decisions. M&E data were incorporated in the Bank's Implementation Status and Results Report (ISR). An Aide-Memoire was prepared and shared with BANSEFI and SHCP after each implementation support and supervision mission by the Bank. The M&E system helped assess the relevance of the indicators and the potential need to restructure them. BANSEFI's studies and evaluations helped inform and design future activities.

M&E Quality Rating

Substantial

10. Other Issues

a. Safeguards

The project was assigned a Category C classification with respect to the Environmental Assessment OP/BP 4.01, indicating that the project is likely to have no adverse environmental impacts. The project triggered the Indigenous Peoples (OP/BP4.10) safeguard policy, and followed the approach of disseminating numerous

materials on communication and education that were translated into indigenous languages to ensure inclusivity. Moreover, the project adopted an improved social strategy that built upon the experience, lessons and recommendations from previous projects. The ICR (paragraph 62) indicated that overall compliance with safeguard policies was satisfactory (paragraph 62)

b. Fiduciary Compliance

Financial Management (FM), performance was "moderately satisfactory" according to the ICR (paragraph 63). The project's Interim Unaudited Financial Reports (IFRs) were generally submitted by the due date or with some minor delays, and were found acceptable. Audited financial statements were also generally submitted on time and included unmodified (clean) opinions. However, weaknesses were observed in the budget execution process during the final years of project implementation. From 2014 through 2016, the allocated budget, which was already lower than expected, was not executed as planned. Moreover, additional reductions in budgets that were under execution were also observed. Thus, disbursement progress was lower than anticipated, reaching only 69.6 percent of total loan proceeds by the time the project closed.

Regarding procurement, no major procurement issues arose during project implementation. BANSEFI was able to put together a solid and well-trained procurement team, which enabled orderly procurement processes that were in accordance with the Bank's Guidelines. However, according to the ICR, because of the lack of clarity on the project's budget and the constant changes in the administration and its priorities, a large number of procurement processes were frequently cancelled or postponed. Consequently, the Procurement Plan was constantly being modified and thereby lost its value as a planning instrument (paragraph 64).

c. Unintended impacts (Positive or Negative)

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d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	---
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	---
Quality of M&E	Substantial	Substantial	---

Quality of ICR	Substantial	---

12. Lessons

The ICR provided the following key lessons relevant to projects similar to this one but beyond Mexico - presented here with some modifications and editing:

Reforms that involve hundreds of heterogeneous institutions with bottom-up governance require long-term support and commitment. International experience and prior projects (including the two previous Bank-projects supporting BANSEFI) show that the need for training of officials such as in SCEs needs to be permanently sustained because these small institutions rotate key positions - often through an election process.

Efficiency assessments and other feedback mechanisms should be reinforced during project implementation to ensure that expenditures in IT components are being directed toward achieving the desired outcomes. Projects that include a technoloqical component should be designed and implemented in line with the changing technological environment, and be continuously monitored. The changing regulatory requirements and the quick evolution of technology requires an adequate and up-to-date design for the investment in technology, which generally tend to require significant capital investment. The technology needs to be flexible enough to adapt to changing contexts and well aligned with the requirements from the demand side. Most importantly, continuous monitoring during implementation is needed to ensure an efficient use of resources towards the achievement of the development outcomes. For example, in the case of this project, an IT audit was not implemented at the mid-term review to assess the efficiency and efficacy of the technological platform.

Indicators provide useful insights into the achievement of PDOs but do not necessarily provide a complete account of all outcomes. Projects should include a relevant and measurable set of performance indicators, consistent with the PDOs and the project's expected outputs. Timely revisions of monitoring indicators to reflect the evolving realities of the project on the ground were made in this project .

Strong government and industry commitment to a project agenda is a precondition for success of Bank projects. In particular, strong coordination among public and private sector stakeholders is necessary when designing solutions for financial sector development. For this project, the agreement signed with a private network of banking agents was a key factor in significantly increasing the number of correspondent banking agents within a short period of time.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR was consistently results-oriented and assessed the performance of the project in the context of the project's results framework and indicators as they were revised. The evidence provided was adequate and of good to high quality. Some evidence, such as for PATMIR's performance, was derived from impact evaluation studies. A clear effort was evident throughout the ICR to be rigorous and detailed in its analysis. The lessons were derived from the project's own implementation experience and were broadly applicable. The ICR closely followed the OPCS guidelines for ICR preparation, though at times it could have been clearer in its messaging. It was consistent with the harmonized OPCS/IEG evaluation criteria, and visually and organizationally, the ICR was well presented.

a. Quality of ICR Rating

Substantial