GHANA - RURAL FINANCIAL SERVICES PROJECT
PROJECT COMPLETION REPORT VALIDATION

A. Basic Data

A. Basic Project Data			**Approval (US$ m)**		**Actual (US$ m)**
Region	West and Central Africa	Total project costs	US$ 22.96 m		Not available from Completion Report
Country	Ghana	IFAD Loan and % of total	US$ 11.0m	48%	
Loan Number	532	Borrower	US$ 0.75m	3%	
Type of project (sub-sector)	CREDIT	Co-financier IDA/WB	US$ 5.1m	22%	
Financing Type	IFAD Initiated and Cofinanced	Co-financier AfDB (parallel financing)	US$ 5.0m	22%	
Lending Terms[1]	HI	Co-financier Domestic Financial Institutions	US$ 0.46m	2%	
Date of Approval	03 May 2000	Co-financier 4	-		
Date of Loan Signature	25 Oct 2011	From Beneficiaries	US$ 0.61m	3%	
Date of Effectiveness	29 January 2002	From Other Sources:	-		
Loan Amendments	None	Number of beneficiaries (if appropriate, specify if direct or indirect)	300,000 persons (direct)		
Loan Closure Extensions	None	Cooperating Institution	WB / IDA		
Country Programme Managers	P. Saint-Ange; M. Manssouri	Loan Closing Date	31 Dec 2008		
Regional Director(s)	M. Béavogui	Mid-Term Review	WB/IDA 2004		
PCR Reviewer	F.Felloni	IFAD Loan Disbursement at project completion (%)	100%		
PCR Quality Control Panel	AM Lambert A.Muthoo				
Please provide any comment if required					

Source: Appraisal Report (2000) and PPMS (2011).

1. This PCRV is based on the implementation completion report elaborated by the World Bank in 2009. That completion report follows the WB requirements but not all the requirements for IFAD completion reports.

B. Project Outline

2. The Rural Financial Services Project (RFSP) was co financed by three international donors: IDA/WB, IFAD and the African Development Bank (AfDB). More precisely,

[1] According to IFAD's Lending Policies and Criteria, there are three types of lending terms: highly concessional (HI), intermediate (I) and ordinary (O). The conditions for these are as follows: (i) special loans on highly concessional terms shall be free of interest but bear a service charge of three fourths of one per cent (0.75%) per annum and have a maturity period of forty (40) years, including a grace period of ten (10) years; (ii) loans on intermediate terms shall have a rate of interest per annum equivalent to fifty per cent (50%) of the variable reference interest rate, and a maturity period of twenty (20) years, including a grace period of five (5) years; (iii) loans on ordinary terms shall have a rate of interest per annum equivalent to one hundred per cent (100%) of the variable reference interest rate, and a maturity period of fifteen (15) to eighteen (18) years, including a grace period of three (3) years.

IDA/WB and IFAD were co financing the same components, whereas the African Development Bank provided parallel financing.

3. RFSP was designed to support the rural financial sector which was under-developed (8% of total formal credit was for rural sector in 1999 at project appraisal stage). The project design benefited from the experience and lesson learned of several evaluations undertaken by IFAD in Ghana, as well as the experience of other donors in Ghana, highlighting in particular the potential of institutional strengthening of rural banks so as to increase sustainability of provision of financial services to the poor.

4. The project had four components: (i) capacity building of the informal financial services sector (27.8% of total costs); (ii) capacity building of rural banks (22%); (iii) institution building of an Apex Bank (44%); and (iv) institutional support to the Bank of Ghana and Ministry of Finance (7%).[2] The overall strategy of the project focused on capacity building at all levels in the rural finance sub-sector, from regulatory bodies all the way down to informal groups at grassroots level, seizing the opportunity of rural banks, present on the territory, and creating a new entity, the Apex Bank in charge of capacity building and regulation for rural banks.

5. Project end-beneficiaries were identified as rural households (smallholders, near landless farmers, women in general and women-headed households) who would avail themselves of new employment opportunities and income-generating investments resulting from enhanced rural financial services. The estimated number of direct beneficiaries was around 300,000 benefiting from formal and informal financial services. The total number of women participants was estimated at 200,000. Potential rural clients would benefit directly as clients of Rural and Community Banks (RCBs) or through membership of 8,000 self-help groups (SHGs) or *susu* (informal collector) groups. Women were expected to constitute 60% of SHGs and 70% of *susu* clients. Appropriate and effective targeting mechanisms were to be developed so as to ensure that rural groups and associations - including women as well as the poorest segments of the communities - are not overlooked and that project benefits are shared among all targeted people and do not benefit only those with power and access to information and financial services.

6. Among the main benefits expected were increased investment in Ghana's rural sector, expanded income investment opportunities for both rural farm and non-farm sectors, leading in turn to expanded employment and improved incomes of rural households. This was expected to lead to greater food security, improved household incomes, and lower poverty rates. Indirect benefits would include stronger and more vibrant rural financial institutions capable of adopting new technologies and managing risks better, expanded pool of skilled personnel, more efficient transmission of information and heightened confidence in the rural financial sector by rural depositors, investors and borrowers.

[2] Component (i) was revised based on the recommendations of the Mid-term Review of 2004 which noted that, according to project design, 8,000 informal and semi-formal groups were to be organized and trained in six years. This implied that, in order to reach such target, 111 groups had to be trained each month. This was an over-ambitious target which called for a large cadre of training providers. Hence, the component targets were revised in order to focus on training and capacity building which would yield realistic results, providing therefore training to 1,797 groups for a total of 44,925 beneficiaries. The revised component would: (a) improve and expand training for rural Micro-finance Institutions (MFIs); (b) restrict training of Community-based Organizations (CBOs) to those directly concerned with micro-finance; (c) and launch a micro-finance support initiative (MSI) to build the capacity of 10 to 15 RCBs and apex MFIs to deliver and sustain micro-finance services to the rural poor.

C. Main Assessment – Review of Findings by EvaluationCriteria[3]

Project Performance

C.1 Relevance

7. The RFSP objectives were relevant to the Ghanaian context and in line with the policies of the Government of Ghana. One of the strategies adopted by the GoG involved the development of micro-finance schemes meant to provide financial services to the rural poor, to small and micro-enterprises in the form of credit and training, with the aim of reviving economic growth and reduce poverty in a sustainable manner. The design was also relevant to the latest COSOPs of IFAD in Ghana (1998 and 2006) both of which emphasise the importance not only of rural credit and savings for agricultural development but also of building sustainable institutions. It also broadly adhered to international good practices in microfinance which were then reflected in the 2001 IFAD's Policy of Rural Finance. The Completion Report prepared by the World Bank finds the project in line with its Country Assistance Strategy.

8. In terms of the design, according to the completion report, one of the strong points was the importance attributed to supporting capacity at all levels in the rural finance sub-sector: from policy and regulation bodies (macro level), to the different arrays of micro finance intermediaries (meso level), down to final users of rural finance services (micro level). This was consistent with good practices available at the time of the design. The project was based on the correct premises that financial sustainability of micro finance institutions is important if the stream of benefits that accrue to the poor is to be sustainable in the long run. The project focused on a particular type of rural finance institution, that is rural and community banks under the assumption that these would be in a better position to offer financial services to the poor. At the same time it adopted a pluralistic stand in that other categories of financial intermediaries (for example, NGOs and credit unions) would receive training and capacity support too. The design also contemplated linkages of beneficiaries' groups (self-help groups) to rural banks, following a model which was adopted in India, with success, and this represented a potential innovation for Ghana.

9. While the above merits of the project design are ascertained, some shortcomings emerge from the completion report and the available documentation. First, the design included interventions at macro, meso and micro level but the latter part was less well articulated in the appraisal report. The completion report highlights that this part of the design was added at last minute and the design team did not include a social development specialist. In particular, the design insisted on creating linkages between community based organisations, informal and semi formal rural finance institutions and associations on one hand and rural banks on the other. This would require appropriate training and support but difficulties in finding good trainers and service providers and the related costs were not well understood at the design stage.

10. Second, the project had mono-sectoral focus and intended to increase the volume and improve the quality of financial services for the poor. It mainly worked from the supply side of micro finance services. Financial services were also needed by beneficiaries of other IFAD projects working on irrigation, micro enterprise, roots and tubers promotion, constituting the demand side of financial services. Unfortunately no clear linkages were spelled out neither at design nor during the implementation stage with other IFAD projects with foregone opportunities for synergy and collaboration.

[3] For definition of and guidance on the criteria, please refer to the Evaluation Manual: http://www.ifad.org/evaluation/process_methodology/doc/manual.pdf

11. Another consideration is that rural banks in Ghana, until the time of the RFSP approval, had very marginal or no experience in rural finance and the expectation of developing linkages with grassroots self-help groups may be regarded as ambitious.

12. In sum, the project had the merit of emphasising institutional strengthening at policy, regulatory and financial institution level. While considering interventions at the downstream level, it did not spell out the details adequately. As such the mechanisms for poverty reduction at the micro level were not emphasised. The project was thus not sufficiently tailor-made for the institutional mandate and end-clientele of a typical IFAD. While the importance of institutional development would warrant a higher rating, in view of these shortcomings in terms of poverty focus, IOE rating of the project from an IFAD perspective is moderately satisfactory (4).[4]

C.2 Effectiveness

13. Although a fully fledged log-frame was not elaborated at the appraisal stage, the project had three main objectives: (i) improving outreach of the micro finance sector; (ii) strengthening rural and community banks and (iii) creating a rural apex bank. Targets were not well detailed at the appraisal phase but defined ex post in 2004. Regarding the first objective, improving outreach of the micro finance sector, savings mobilised by rural and community banks increased by Ghana cedi 275 million (from 39 million in 2001 to 315 million in 2008), compared to a target of 300 million. The total number of rural bank clients (or, more precisely, bank accounts) increased from 1.3 million in 2001 to 3.3 million at the end of 2007 (well above the target of 300,000 and the total volume of loans from rural banks increased from Gh cedi 15m to 172 m (below the target of 200 million). These are high achievement (particularly the client increase) although it is not always possible to attribute such growth to the project only. In other words, at least part of this growth might be linked to other factors such as growth of the economy rather than the project itself, although, given the available information, it is plausible that the project played a facilitation role.

14. In terms of the second objective, strengthening of rural and community banks, the project provided training in customer care, treasury, credit, management, anti-money laundering, internal control and check clearing. Computerization, provision of alternative power generation, as well as installation of safes were additional results achieved. Information from the available documentation suggests that improved skills in operation management and in loan follow-up helped improve the quality of the lending portfolio of rural banks (reduction of non performing loan rate from 20% to 12%) but also helped rural banks in establishing branches. From 2001 to 2008, the number of rural banks had increased from 115 to 125 but the number of branches increased from 228 to 463. Again, part of these increases might have taken place without the project but there is convincing evidence that the investment in capacity building made by the project was instrumental in accompanying and probably spurring part of this growth.

15. Apart from rural banks, the project was involved in supporting other semi-formal and informal rural finance organisations, including credit unions and organisers of savings clubs (susu). This was done through training, preparation of good practice manuals. Members of credit unions and susu and related savings increased dramatically from 2002 to 2008, in the order of magnitude of 60% to 260% for members and savings volume of credit unions and 300% to 400% for members and savings volume of susu respectively. All such increases can not be attributed to RFSP only, as explained before.

[4] As further elaborated upon, IFAD adopts a rating scale with three positive ratings: moderately satisfactory, satisfactory; and highly satisfactory; and three negative ratings: moderately unsatisfactory, unsatisfactory, and highly unsatisfactory.

16. As far as the third objective is concerned, establishment of a rural Apex Bank, the latter was created as a broad institutional framework for provision of common services to rural banks. The Apex bank provides banking, as well as non-banking support services to rural banks with the aim of improving their operational efficiency, and thereby, transforming them into efficient and credible financial institutions which can effectively address the banking needs of the communities in which they operate. The Apex Bank include: (i) provision of cheque clearing; (ii) handling of cash movement and funds management services; (iii) provision of inspection services; (iv) provision of ICT support to computerize rural bank operations; (v) sourcing of funds for on-lending to the rural banks; and (vi) training of staff of rural banks. Notably, there is a tension in the appropriate role of the Apex Bank. It has an important role to play in monitoring the performance of its member rural banks, and in promoting deepening of links between the rural banks with other MFIs to expand access of the poor to financial services. There may be a potential conflict of interest between technical support to rural banks and inspection duties.

17. RFSP also provided training to policy and regulatory bodies such as the Ministry of Finance and the Bank of Ghana (Banking Supervision Department). This was useful in distilling good practices and there is evidence of improved capacity of the Banking Supervision Department of the Bank of Ghana to deal with distressed rural bank more forcefully and timely that it would have been the case before the project.

18. In consideration of the above important achievements in terms of outreach and institutional (meso and macro) strengthening, while taking into account possible attribution issues, the IOE rating for effectiveness is satisfactory (5).

C.3 Efficiency

19. No economic rate of return estimation was made ex ante or ex post for RFSP. In the absence of this metric, the available documentation offers observations on other efficiency proxies: (i) time of implementation, (ii) information on project delivery vs. targets and (iii) contributing to smoother processing of financial transactions by rural banks.

20. To take them in turn, the project start up met a considerable delay (about 21 months) which the documentation explains as the result of the change of the Governing party after the 2000 presidential elections. Yet, in the end, the project was completed within the foreseen time line for the IFAD portion, while a one year extension was granted for the World Bank part. As mentioned under effectiveness, the project outreach and delivery surpassed appraisal targets significantly (although external factors may have played an important role). Moreover, the project support to the Apex Bank and the rural banks resulted in a reduction of time required for financial transactions (more efficient banking technology).

21. The WB PCR provided no rating for efficiency but recognised that almost all parameters stated at appraisal for economic justification of the project had been surpassed. The IFAD-PMD rating for efficiency is moderately satisfactory, mainly based on initial project delays. The current IOE validation acknowledges such delays but notes that the project managed to catch up and complete and close the IFAD portion of the loan in time and within the budget. Moreover, the delays were due to a major change of political party at Government. Finally these delays did not affect the effectiveness of the project: in the end RFSP delivered more than expected on several targets. In sum, this validation concludes that a rating of satisfactory (5) can be supported by the available information.

Rural Poverty Impact

C.4 Impact

22. In assessing the project's impact, it is important to consider that the project had been initially designed as a sectoral reform and institutional support intervention, while the mechanisms for transmissions towards poverty reduction had not been articulated in detail.

23. In terms of impact on household income and assets, the project completion report recognised that it is not possible to discern poverty impact of RFSP, due to the absence of the baseline and the wide area of implementation which makes it challenging to identify a suitable control group. The completion report quotes the reduction in nation-wide poverty prevalence from 50% in 1998-99 to 39% in 2005/2006 but this may very well depend on general economic growth and other policies implemented by the Government of Ghana and the contribution of RFSP in poverty reduction can not be inferred from such data.

24. Data on deposit growth in rural banks show an increase in real terms of 55% from 2001 to 2007. The available data suggest sizeable increase in the deposit account with broad outreach. There is no conclusive evidence on the absolute level of poverty of clients of rural banks and this makes it challenging to ascertain to what extent the rural poor were well represented. In 2006 RFSP conducted a beneficiary assessment exercise, with a representative sample of rural banks and clients at national level. According to this study, RFSP end-clients were classified as traders (28%), self-employed entrepreneurs and craftsmen (27%), wage earners –mostly teachers - (10%), farmers (8%), pensioners (4%) and students (2%). The beneficiary assessment suggested that small farmers and the rural poor tended to be under-represented.

25. Another finding from the 2006 Beneficiary assessment exercise was (p.18) that the typical loan repayment conditions did not always match well the typical cash flow of poor clients. This echoes many other observations in supervision reports and in the mid term review report, that there was limited emphasis on accompanying income generating activity for poverty reduction in the project design and implementation.

26. To summarise a complex and sometimes blurred picture, there is evidence to argue that RFSP was instrumental in facilitating access to savings deposits in the formal banking system. On the other hand, in terms of supporting income generating activities for the poor, there is no strong evidence that rural banks were offering dedicated loan products for a rural poor clientele that matched their needs and cash flow constraints. In view of these qualifications, this validation assesses impact on household income and assets in the "positive zone"[5] with a rating of moderately satisfactory (4).

27. As far as impact on social and human capital is concerned, the initial project design envisaged creating linkages between self-help groups and rural banks. The mid term review (2004) found that only 40 of the envisaged 8 000 self health groups had been formed and trained, although it can be argued that 8 000 was a very tentative guess at appraisal stage. The approach of linkages with self-help groups was mutuated from project experiences in India. In the Ghanaian context, the more basic priority was to have rural banks start engaging in microfinance activities something which they had not yet done before. According to the mid term review, it would have been too ambitious to expect RFSP to both work with banks and set up self-help groups from the grassroots. Accordingly, RFSP concentrated on the supply side of financial services. At the same time, it could be argued that collaboration with other IFAD projects may have brought in support to grassroots groups. Based on these considerations, the project's impact on human and social capital is rated by the present validation as moderately unsatisfactory (3).

[5] The "positive zone", as previously noted, includes the ratings of moderately satisfactory, satisfactory; and highly satisfactory.

28. No evidence, either direct or indirect exists on food security and agricultural productivity which were not part of the project focus. The same is true for impact on environment. Accordingly both are not rated.

29. Impact on institutions and policy, include the creation of a permanent Apex Bank, training of staff of rural banks, strengthening of regulatory bodies such as the Banking Supervision Department of the Bank of Ghana, the Ministry of Finance, apex bodies of credit unions, and other non-banking financial institutions. Improvements in their capacities have already been highlighted under effectiveness, although it can be argued that such improvements do also qualify as institutional impact. These results are very important and have helped maintain the stability of the financial system in the presence of high growth rates. Another important result was the strengthening of GHAMFIN, the national microfinance network of Ghana, which facilitated training and exchange of experiences and information. On the other hand, as noted by the PCR and other documents, results have been mitigated by the fact that policy commitments have not been entirely fulfilled. This is evidenced by the persistence of subsidised credit programmes of the Government and by the fact that a Microfinance Policy for Ghana was elaborated but never officially approved by the Government (Implementation support mission 2007 and completion report). Keeping all these facets into consideration, impact on institutions and policy is rated as satisfactory (5).

Other Performance Criteria

C.5 Sustainability

30. Sustainability can be broken down into institutional sustainability and financial sustainability. The former is assessed as strong by the completion report and other documents, observing that the project helped improve the capacity of permanent public institutions, notably the central bank and Ministry of Finance.

31. In terms of financial sustainability, the completion report asserts that the participating rural banks have achieved operational self-sufficiency and are striving for financial self-sufficiency.[6] While the completion report does not provide evidence to illustrate these statements, other sources show that both operational and financial self sufficiency of rural banks were at 114% on average in 2007 (with some deterioration for operational self sufficiency since 2004).[7] The completion report shows that the percentage of non-performing loans of rural banks reduced from 19.8% in 2001 to 11.2% in 2007.

32. Without providing precise figures, the completion report mentions persistent problems in ensuring financial sustainability of the Apex Bank and a steadily declining operational self-sufficiency rate of the same between 2004 and 2007. According to the completion report, the main difficulty resided in offering technical backstopping services to rural banks at a full cost recovery rate. In addition, the decline in the Treasury bill rate (5% of primary reserve rates of rural banks were kept with the Apex Bank and invested in treasury bills) also generated a shortfall of revenues.

33. Given the very encouraging data on financial self-sufficiency of rural banks, while not losing sight of outstanding issues with financial self-sufficiency of the Apex Bank, the project's sustainability prospects are assessed as satisfactory (5).

[6] The operational self sufficiency is the capacity to cover all operating costs (excluding refinancing costs) without external subsidies. The notion of financial self-sufficiency is more stringent in that it requires a financial institution to coverall all costs (including notably financial costs) without external subsidies. Typically, many microfinance institutions that are operationally self-sufficient are not financially self –sufficient because they are benefiting from subsidised refinancing.

[7] Source: Ghana Microfinance Institutions Network (2007).

C.6 Pro-Poor Innovation, Replication and Scaling-Up

34. Among the main innovative ingredients of the project were: an approach focusing on the strengthening of the micro-financial sector with special attention to the macro (regulatory and policy) level and meso level (micro finance institutions), as opposed to a focus on distribution of loans which had been predominant in the country since then. Another innovative aspect was the focus on disseminating good practices which culminated in the preparation of several good practice manuals and training packages targeted at several micro finance institutions, formal and informal, including rural banks, credit unions, NGOs, susu collectors.[8]

35. According to the 2006 beneficiary assessment, out of the rural banks participating in RFSP, 80% or more had either introduced new products or modified old products. According to the beneficiary assessment, rural bank managers attributed to the support of RFSP changes in services such as payments and transfers, home cash and cheque clearing However, when it came to products of higher pertinence to poor clients (micro loans, group lending, or saving products), rural bank were not always clearly ascribing these innovations to RFSP initiatives.

36. As noted in the completion report and mid-term review report and supervision reports, the objective of creating linkages between informal groups and formal institutions such as rural banks did not receive strong focus during the course of the project implementation. In sum, it can be argued that the main innovations introduced by the project were of institutional type (macro and meso level), with comparative less emphasis for grassroots level innovation and new services focusing on the poor.

37. In terms of scaling-up innovations, the main contribution of the project was diffusing recognised good practices for rural banks, credit unions and other semi—formal and informal rural financial institutions. While these good practices may have been known elsewhere, they had not been disseminated in Ghana before. Rural banks, credit unions, and other micro finance institutions adopted these practices and were willing and able to continue to do so also with limited external assistance. On the other hand, specific innovations of higher pertinence to a poor clientele (such as linkages between informal groups and rural banks, special savings and credit products dedicated to poor rural people) where not the object of intensive piloting nor up-scaling.

38. Assigning a rating to innovation and scaling up requires averaging between a significant contribution to institutional innovation as well as to the dissemination of financial good practices that may indirectly benefit the poor and, on the other hand, less emphasis and more mixed results in terms of micro-innovation at the local and community level focusing on the poor. Keeping this into consideration, the present validation assesses innovation and replication in the "positive zone", but with a rating of moderately satisfactory (4).

C.7 Gender equality and women's empowerment

39. Gender equality and women's empowerment was not one of the focus areas of the project. On the other hand, some attempts were made during the project to monitor gender issues, for example through the beneficiaries' assessment of 2006. The data available (e.g. Supervision report 2007) show that women continued to represent about 45% of depositors and 40% of borrower from 2001 to 2007. The 2006 beneficiaries' assessment found that women tended to be better satisfied with rural bank services than men. The 2007 IFAD-WB implementation support mission mentions a financial literacy methodology developed under the RFSP, and in collaboration with DANIDA, as a good entry point for helping women

[8] An informal way of pooling funds through a saving club with periodic contribution and disbursement to club members, generally on a rotational basis.

access financial services. Overall, this validation supports a rating of moderately satisfactory (4).

C.7 Performance of Partners

40. IFAD rightly seized an opportunity to collaborate with IFIs such as the World Bank and the African Development Bank on a project that addressed much needed institutional strengthening at the macro and meso level in the micro finance sub-sector. As pointed out by the completion report, the project did not focus strongly on the poverty reduction side, particularly at the community level and the envisaged informal – formal financial sector linkages were not well articulated. This is confirmed through the entire documentation available. While the project was supervised by the World Bank, IFAD participated in several support missions by either assigning a consultant or the country programme manager. Based on the strengths and weaknesses (particularly in the design) substantiated above, the overall rating assigned to the performance of IFAD is moderately satisfactory (4).

41. The project completion report, prepared by the World Bank, provides an overall rating of moderately satisfactory for the Bank's performance, based on the limited progress made in ensuring quality at entry (poverty reduction dimension) of the project design and on an overall satisfactory performance in supervision. The present validation agrees with this judgement, as already explained. It notes, in addition, that the quality of the completion is weakened by the absence of quantitative evidence on several criteria and notably on financial sustainability. The rating assigned by IOE validation to the World Bank performance is also moderately satisfactory (4).

42. The African Development Bank provided financing to the project under the form of parallel financing. The completion report notes that it was difficult for the World Bank and IFAD to cooperate with AfDB due to the latter institution's lack of country presence and ad hoc timing of its supervision missions. According to the completion report, the same reason caused problems in coordination between AfDB and the Government of Ghana. No additional information was found regarding the performance of AfDB. In the absence of further qualifications, no rating is assigned to the performance of AfDB.

43. Regarding the performance of the Government, the completion report notes that the commitment to the project remained high, with the Microfinance Unit of the Ministry of Finance broadening the scope from simple project implementation to leadership in policy dialogue. In spite of this, the Government was responsible for a very long delay from approval to effectiveness, it continued to implement subsidised credit programmes that distort the finance sector and did not formally approve the micro finance policy of Ghana thus depriving the sector of a stronger policy framework. In line with completion report, this validation rates Government performance as moderately satisfactory (4).

C.8 Overall Assessment Of Project Performance

44. The worth of RFSP is to a large extent determined by its support to and accomplishments in policy and institutional strengthening as well as by the support it provided to the expansion of coverage of the formal financial sector as well as dissemination of good practices among the banking institutions. These are important achievements. Taken from IFAD's perspective, and in line with the completion report, the project's main weaknesses are identified in the somehow limited focus on poverty reduction at the local level as well as in the absence of clear linkages with other IFAD projects. To a large extent this is explained by the limited engagement of rural banks in micro finance activities until that time and during the project implementation the choice was made to take a gradual approach and start building the capacity of rural banks rather than venturing into linkages with self help groups.

45. Whereas RFSP could have played a catalytic role in the provision of financial services to the clients of other IFAD projects, this was not the case as evidenced by available project evaluations (e.g. evaluations of REP II, LACOSREP II and UWADEP). Balancing all these aspects, the overall rating proposed by this validation is in the "positive zone", but moderately satisfactory (4), taking into account satisfactory effectiveness, efficiency, sustainability, and moderately satisfactory results in relevance, impact and pro poor innovation.

D. Assessment of the PCR Quality

46. The scope of the completion report extends to the criteria adopted by the World Bank, but not all those adopted by IFAD. While this is understandable as it was produced by the Bank, in principle more criteria, including criteria that are specific to IFAD, could have been considered given that project was a joint effort with IFAD. The scope is rated as moderately satisfactory (4) by this validation.

47. The quality of the completion report is rated as moderately unsatisfactory (3) by this validation, as evidence is often lacking, particularly on financial indicators such as operational and financial self-sufficiency or rural banks, particularly when the completion report claims that good performance was observed against these indicators.

48. Lessons learned are clear and embrace strategic and operational issues (highlights are presented below) and are thus rates as satisfactory (5) by the present validation. Candour of the completion report is also rated as satisfactory (5) by the present evaluation as the report provides, inter alia, constructive self-critical assessment of the performance of the Bank and its partners.

E. Final Remarks

E. 1 Lessons Learned

49. Among the lessons learned provided in the completion report, the following can be summarised:

50. Improving financial services to the poor requires substantial effort to strengthen rural MFIs including rural banks in order to expand their outreach. It also requires promotion of reforms at the sectoral level to enhance the chances of sustainability of the whole system not just of individual MFIs.

51. Apex organizations have a crucial role to play in expanding various segments of the financial sector, monitoring and evaluation of performance, and providing advocacy services on behalf of their constituencies and their clients. However, funding these 'public good' elements remains problematic and needs to be addressed to ensure long term viability.

52. In addition, this validation adds the observation that for an organisation like IFAD, it is important to ensure and monitor focus on the poor from the formulation phase through implementation, through appropriate need assessment and a design of financial services that matches the need of poor client (something that was not well articulated in the project formulation) and by establishing linkages with other projects in IFAD's portfolio. Institutional support is very important and this project was a further confirmation, yet poverty focus can not be taken for granted.

E.2 Issues for IOE follow-up (if any)

53. A project performance assessment (PPA) of RFSP is envisaged in the context of the forthcoming Ghana Country Programme Evaluation. Aspects such as financial sustainability

of rural banks, poverty focus of financial services provided by the rural banks and linkages between formal and informal financial services providers will have to receive special focus in the project performance assessment. Also, issues related to partnership with AfDB could be further explored.

G. Rating Comparisons

Project ratings				
Criterion	**PMD Rating[9]**		**IOE Rating**	**Net Rating Disconnect (IOE PCRV - PMD)**
Relevance	Relevance 5	Design 4	4	-0.5
Effectiveness	5		5	0
Efficiency	4		5	+1
Project Performance[10]			4.7	na
Rural Poverty Impact				
(a) HH Income and Net Assets	Physical assets np	Financial assets 5	4	-1
(b) Human and Social Capital Empowerment	Human assets np	Social capital np	3	Na
(c) Food Security and Agricultural Productivity	Food security np	Agric. Product. np	np	Na
(d) Natural Resources and Environment	np		np	Na
(e) Institutions and Policies	Institutions & services 5	Markets np	5	0
Overall rural poverty impact[11]	5		4	-1
Sustainability	5		5	0
Pro-poor Innovation, Replication and Scaling Up	Innovation 5	Repl. & Scaling-up 5	4	-1
Gender equality and women's empowerment	4		4	0
Overall Assessment[12]	5		4	-1
Performance of partners				
(a) IFAD	4		4	0
(b) Government	4		4	0
(c) Cooperating Institution (World Bank)	4		4	0
AVERAGE Net disconnect				-0.27
Ratings of the PCR document quality	**PMD rating**		**IOE PCRV rating**	**Net disconnect**

9 Rating scale: 1 = highly unsatisfactory; 2 = unsatisfactory; 3 = moderately unsatisfactory; 4 = moderately satisfactory; 5 = satisfactory; 6 = highly satisfactory; n.p. = not provided; n.a. = not applicable.

10 Arithmetic average of ratings for relevance, effectiveness and efficiency.

11 This is not an average of ratings of individual impact domains.

12 This is not an average of ratings of individual evaluation criteria. Moreover, the rating for partners' performance is not a component of the overall assessment ratings.

(a) Scope	np	4	Na
(b) Quality (methods, data, participatory process)	4	3	-1
(c) Lessons	5	5	0
(d) Candour	np	5	Na
Overall rating PCR document	np	4	na

H. List of Sources Used for PCR Validation

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