Independent Office of Evaluation

IFAD Investing in rural people

Project Completion Report Validation
Rural Finance Institutions-Building Programme
Federal Republic of Nigeria
Date of validation by IOE: December 2018

I. Basic project data

			Approval (US$ m)		*Actual (US$ m)*	
Region	West and Central Africa	Total project costs	40.0		35.9	
Country	Federal Republic of Nigeria	IFAD loan and percentage of total	27.2 (loan) 0.4 (grant)	68% 1%	26.3**	73%
Loan number	Loan N: 699-NG Grant N: 870-NG	Borrower	6.2	16%	5.65	16%
Type of project (subsector)	Rural finance	Ford Foundation	0.5	1%	0	NA%
Financing type	Loan, grant	Beneficiaries	0.99	2%	3.92	11%
Lending terms*	Highly Concessional	Cofinancier (participating institutions)	4.8	12%		
Date of approval	14 Sep 2006					
Date of loan signature	26 Aug 2008					
Date of effectiveness	20 Jan 2010					
Loan amendments	26 Nov 2015	Number of beneficiaries	345,000 households		771,063 households	
Loan closure extensions	N/A	Project completion date	31 March 2017		31 March 2017	
Country programme managers	Benjamin Odoemena Atsuko Toda Abdoul Barry	Loan closing date	30 Sept 2017		30 Sept 2017	
Regional director(s)	Ides de Willebois Mohammed Beavogui	Mid-term review			23 May 2013	
Project completion report reviewer	Lasha Khonelidze	IFAD loan disbursement at project completion (%)			95% (loan) 91% (grant)	
Project completion report quality control panel	Fumiko Nakai Ernst Schaltegger	Date of the project completion report			July 2017	

Source: Project Completion Report (PCR) "programme at a glance" (page 6), President's Report, Loan and Grant agreements, Mid-Term Review (MTR) Report.

* IFAD loans granted on highly concessional terms are free of interest. A service charge of three fourths of one per cent (0.75 per cent) per annum and a maturity period of forty years, including a grace period of ten years are applied, starting from the date of the approval by the Executive Board. DSF grants are provided to countries with low level of debt sustainability, as ascertained by the annual debt sustainability assessments carried out by the International Monetary Fund (IMF).

** IFAD database shows a different (lower) figure: US$25.6 million for the loan, US$0.378 million for the grant, hence the total of US$25.98 million.

II. Project outline

1. **Introduction.** IFAD financing for the Rural Finance Institution Building Programme (RUFIN) in the Federal Republic of Nigeria was approved by the IFAD's Executive Board on 14 September 2006. The financing agreement was signed on 26 August 2008 and became effective on 20 January 2010[1] with a closing date initially set at 30 September 2017.

2. **Project area** at a design covered 12 states within the six geopolitical zones of Nigeria: the north east (Adamawa, Bauchi States), north west (Katsina and Zamfara States), the middle belt/north central (Benue, Nassarawa States), south west (Lagos and Oyo States), south east (Anambra, Imo States), and the south-south (Akwa Ibom and Edo States).

3. **Target group.** The project initially targeted 345,000 households, including 138,000 woman-headed households, comprised of vulnerable poor families: families that are food insecure and live below the poverty line (75 per cent of the target group), and poor families that are food secure in good rainfall years but have a low income. The other direct beneficiaries, who were also implementing partner institutions were to be 70 microfinance banks (MFBs), 70 non-bank microfinance institutions (MFIs), the Central Bank of Nigeria (CBN), the Nigeria Agricultural Cooperative and Rural Development Bank, microfinance apex organizations and research institutes that benefit from the capacity-building of the RUFIN. The rural poor were expected to directly benefit from improved financial services in terms of quality and quantity, and from access to deposit, loan and transfer services. The beneficiaries would also include small rural entrepreneurs, such as farmers, craftsmen and petty traders, women, the physically challenged and youth.

4. **Project goal, objectives and components.** The overall goal of RUFIN, according to the President's report, was to reduce poverty, particularly among the rural poor and especially women, youth and the physically challenged. The specific objectives included: (i) to develop and strengthen rural financial services and enhance the accessibility of poor rural people to these services so as to expand production; and (ii) improve the productivity of agriculture and micro-small rural enterprises.

5. The rationale for the RUFIN was based on the need to improve the legal, policy and regulatory framework to enhance the operations of microfinance institutions and minimize their risk exposure; support the development and strengthening of rural MFIs; and to establish linkages between the financial system and rural production systems to improve production efficiency, raise productivity of the rural poor and minimize their exposure to technical and credit risks.

6. The programme approach was to develop grassroots member-based rural microfinance institutions to a level when they can be linked to be supported by the Programme formal financial institutions.

7. The project was to be implemented over seven-year period. According to the project appraisal report, the institutional building and testing of the capacities of the institutions could not be achieved at a lesser period.

8. **Components.** Originally, the project had four components. **Component 1 - Development and strengthening of member-based rural MFIs -** included three sub-components: (a) improvement in the policy, legal and institutional framework for the development of member-based rural MFIs; (b) development and strengthening of

[1] The PCR doesn't specify the reason why almost four years passed from the date of Executive Board approval to the date of effectiveness.

rural MFIs and their apex organizations; and (c) promotion of a linkage programme to test the credit delivery system. **Component 2 - Support to MFIs -** included four sub-components: (a) institution-building among MFBs; (b) capacity-building among non-bank MFIs; (c) support for the Nigerian Agricultural Cooperative and Rural Development Bank; and (d) implementation support, regulation and supervision for MFBs. **Component 3 - Framework conditions for microfinance development-** included three sub-components: (a) the provision of access to refinance facilities; (b) the development of apex organizations for MFBs and MFIs and their umbrella organizations; and (c) policy dialogue and research and documentation on microfinance. **Component 4 - Programme management, coordination, and monitoring and evaluation.**

9. The components were reduced to three and altered in content as follows during the inception period. **Component 1 - Capacity Building and Technical Support to Bank and Non-Bank Microfinance Institutions:** the purpose of this component was to restructure, strengthen and enable MFIs to provide financial services to rural clients including women and rural poor on a sustainable basis through management capacity building of the MFIs and their improved access to refinance and linkage facilities. **Component 2 - Targeted Development and Strengthened Institutional Environment for Microfinance Development:** the purpose of this component was: to improve policy, supervision and research leading to a conducive environment for rural financial inclusion through functioning legal and institutional mechanisms for cooperatives and rural MFIs, efficient supervisory system to monitor MFIs and promote rural financing, and readily available informed analysis on microfinance activities in the rural areas. **Component 3 - RUFIN Coordination and Management:** the objective of this component was to provide for effective coordination of implementation to ensure efficient use of resources, create synergy of implementing agencies' efforts, provide for information and data management and put in place monitoring and evaluation services to measure the impact of the Programme activities.

10. **Intervention logic.** The design of RUFIN sought to address key problem areas in rural microfinance which were seen to be contributing to the high levels of rural poverty. The key development issue to be addressed was the limited access to financial services by poor rural households. The design logic was based on the notion that improved access to financial services will help improve the incomes, food security and living conditions of the rural poor, and that this can be achieved via the two key outcomes relating to institutional capacity and the enabling environment.

11. In order to attain its objectives, RUFIN needed to be implemented in a stable macroeconomic environment for agriculture and rural sector growth with continued government support for the microfinance policy framework. Furthermore, it needed a competent, efficient and effective management unit for its implementation. One of the main assumptions made was that training of financial institutions will lead to their improved performance and sustainability.

12. The design was intended to address two dimensions at the same time, i.e. institutional capacity and enabling environment, with the two corresponding outcomes: (i) restructured and strengthened rural financial institutions enabling access to finance to the target groups; and (ii) improved policy and supervision environment for rural financial inclusion. These outcomes were expected to achieve the two main purposes: (a) accessibility to the rural financial services by the rural poor; and (b) improved productivity of agriculture and micro-small rural enterprises. It should be noted that the updated logframe does not include the purpose (b), but it was still included in the theory of change presented in the PCR (Annex V).

13. **Financing.** The total estimated project cost at approval was US$40 million, including a highly concessional IFAD loan of US$27.2 million and an IFAD grant of US$0.4 million.[2] According to the mid-term review (MTR), the Ford Foundation withdrew its commitment because the Guarantee Fund it was supposed to contribute to had not been launched.[3]

Table 1
Project costs

Source of Funding	*Type of financing*	*Estimated amount (US$ m)*	*Estimated amount (% of total)*	*Actual expenditures (US$ m[4])*	*Expenditure (% of total)*	*Disbursements (% of estimated amount)*
IFAD	Loan	27.18	68	25.91	70	95
IFAD	Grant	0.40	1	0.364	1	91
Ford Foundation	Grant	0.50	1	0	0	NA
Government		6.18	15	5.65	17	91
Participating institutions* and beneficiaries		5.75	14	3.92	12	63
Total Financing		**40.01**	**100**	**35.84**	**100**	**89**

Source: IFAD 2006 President's Report, 2008; PCR Appendix 8 and Table 3 p.30.
* According to the president, including CBN, the National Poverty Eradication Programme and the Nigeria Agricultural Cooperative and Rural Development Bank. The PCR does not provide a breakdown of actual contribution by participating institutions and beneficiaries.

Table 2
Budgeted Amounts and Actual component costs

Components	*Planned (US$ m)*	*Planned amount (% of total)*	*Actual amount (US$ m)*	*Actual (% total)*
1. Capacity building and technical support to bank and non-bank microfinance institutions	31.36	79	25.21	70.2
2 Institutional Environment	4.21	11	5.52	15.4
3 Coordination and management	3.93	10	5.17	14.4
Total	**39.50***	**100**	**35.90**	**100**

Source: PCR Appendix 8.
* A small difference of the planned total budget (US$39.5 million versus US$40 million) is not explained.

14. **Implementation arrangements.** RUFIN was implemented by the Federal Ministry of Agriculture and Rural Development (FMARD) through a Central RUFIN Coordination Unit (CPMU) in Abuja, headed by the National Programme Coordinator, a Deputy National Programme Coordinator and a team of managerial staff heading each of the components and sub-components. The CPMU reported to the RUFIN Steering Committee chaired by the Permanent Secretary of FMARD and membership comprising representatives of the participating agencies, and private sector representatives.

[2] Source: 2006 President's Report.
[3] According to the President's Report, the Ford Foundation was to provide part of the guarantee fund under the microfinance development fund established by CBN.
[4] Source: PCR.

15. The RUFIN was implemented through three Zonal Programme Management Units and a RUFIN Support Office in each of the 12 participating states. The CPMU was intended to play a coordinating role with most RUFIN activities undertaken at State and Local Government Area (LGA) levels; and national level activities delegated to five key implementing partners: (i) CBN; (ii) Federal Department of Cooperatives (FDC); (iii) Bank of Agriculture (BoA); (iv) National Association of Microfinance Banks (NAMB); and (v) Association of Non-Bank Financial Institutions of Nigeria (ANMFIN).

16. **Changes and developments during implementation.** The components and sub-components were amended after RUFIN was officially launched right after inception (according to the PCR) and the amended components were already presented as such in the MTR.[5] The PCR states simplification as the main reason and does not contain a detailed explanation of the rational for these changes.[6] A comparative summary of the changes in the component structure is presented in Annex IV.

17. First half of the RUFIN was concentrated on capacity building of the heterogenous groups according to an originally designed transformation strategy that did not result in the expected number and quality of the linkages between RUFIN mentored member-based groups and the formal financial institutions. After MTR, two new approaches were developed and introduced to address this problem: Rural Business Plans (RBP)[7] to assist MFIs in building their rural portfolio in a more systemic way, and the Village Saving and Credit Group (VSCG) approach - to move to a uniform group formation strategy aligned with the RBPs and with more emphasis on groups composed of only women.

18. The programme coordination and management structure was realigned to the components and sub-components and the three tiers of implementation actions recommended by MTR.[8]

19. In November 2015, a budget relocation was made to increase the total contribution to the Guarantee Fund up to US$1.5 million to meet by RUFIN-mentored MFIs[9] the collateral requirements of Micro and Small Enterprise Development Fund (MSMEDF) established by CBN.

20. **Delivery of outputs.** It should be noted that most of the targets were revised upwards by a significant degree. For the subcomponent 1.2 (access to linkage and refinance facilities), the original targets were substantially lower than revised targets (by thousands of %). Most of the actual results still over-performed compared to the revised targets, about half of them by substantial margin (more than 125 per cent increase). Those targets which showed under-performance compared to the revised ones mostly belonged to the component 1.2, but these were only for a few indicators. A detailed table summarising RUFIN's output delivery by component is presented in Annex III.

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[5] The official request for component changes was made in the Request for Amendment to the Financing Agreement only on 27 October 2015, while MTR was completed on 30 May 2013.

[6] The IFAD country team offers additional reasons: "the need to simplification and harmonize the components, avoid duplication of functions during implication and achieve efficiency in service delivery were the main reasons for the contraction of the components at the time of inception" (IFAD comment on the draft Project Completion Review Validation).

[7] "RBPs are tools for planning investment in rural outreach by MFIs. The RBPs define the physical, financial, human resource and capacity building requirement of an MFI in order to operate profitably and sustainably in rural areas. By 31 March 2017, 633 financial operators had been trained on the RBP approach". (RUFIN PCR).

[8] PCR, page 3: The **bottom tier** - dealing with rural finance market development at the community level by developing financial awareness, stronger group management, savings and credit culture; **middle tier** - focusing on strengthening the supply of rural financial services through RMFIs; and **the top tier** - which concentrated on the creation of an enabling environment, funds flow and sustainability support to the sector.

[9] Memo: Request for Amendment to the Financing Agreement. 27 October 2015.

III. Review of findings

A. Core criteria

Relevance

21. **Relevance of objectives.** RUFIN was aligned with the country's development priorities, as laid out in the National Economic Empowerment and Development Strategy adopted in 2004, which aimed at poverty reduction through empowerment of the people. Specific instruments were identified in this Strategy to address the problems of the vulnerable groups: rural and urban poor, women, youth, children and rural communities.

22. At sectoral level, RUFIN was designed on the basis of the New Microfinance Policy Framework introduced CBN in December 2005.[10]

23. RUFIN was aligned with the strategic objective in the IFAD's country strategic opportunities programme (COSOP) of 2007 to provide continued support to the development of rural financial services subject to Nigeria's introduction of the necessary financial sector policy reform. The programme was also in line with the next COSOP which spanned 2010-15.[11]

24. When RUFIN was designed the vast majority of Nigeria's rural population had no access to formal financial services. Given the widely acknowledged importance of access to finance for improving agricultural productivity and the operation of non-farm income generating activities, the objectives of RUFIN were relevant and appropriate. At the same time, the objective "to improve the productivity of agriculture and micro-small rural enterprises" seems to be a higher-level objective not directly and logically defining the impact pathway.

25. **Relevance of design.** According to the appraisal report, the programme design was built on lessons learnt from IFAD experience, specifically: (i) past over-reliance on injections of external credit resources for pre-determined lending purposes rather than promoting self-financing based on savings mobilization to locally generate lendable capital; (ii) continuing support of an unstable and subsidized credit system instead of focusing on the long-term development of sustainable rural financial services; (iii) inadequate legal policy and institutional framework for effective operation of rural financial institutions; and (iv) lack of prudential and non-prudential regulations for MFIs supervision. These lessons are considered to have been pertinent.

26. The PCR assesses the relevance of design to the project objectives by components and sub-components in each three tiers (defined by the MTR).[12] The most highly relevant activities were considered in the bottom tier - at LGA and village level including the formation of VSCGs and their linkage to MFIs. The middle and top tier activities in Component 1 relating to capacity building of MFIs, the apex bodies and access to refinancing facilities were regarded as indirectly and less relevant since they benefited the microfinance sub-sector generally across Nigeria rather than rural MFI's in the programme areas. The same logic was applied to Component 2 which consists entirely of sector-wide top tier activities in the MFI sector generally. The PCR concluded that,

[10] According to the Appraisal Report p. 7. The policy objectives are to: (i) Make financial services accessible to a large segment of the potentially productive Nigerian population which otherwise would have little or no access to financial services; (ii) Promote synergy and mainstream the informal sub-sector into national financial system; (iii) Enhance service delivery by MFIs to micro, small and medium entrepreneurs; (iv) Contribute to rural transformation; and (v) Promote linkage programmes between universal banks, specialized institutions and MFBs.

[11] The COSOP included two strategic objectives: (i) improved access to production, storage and processing technologies, markets and support services; and (ii) strengthening community involvement in local planning and development and promoting government support for rural infrastructure.

[12] PCR, page 19.

given that most MFIs were non-rural, much of this effort generated benefits for non-rural beneficiaries. On this basis, the PCR claims that much of the RUFIN's design, specifically the upper and middle tier activities, has to be questioned.

27. However, the appraisal report clearly defined the selection criteria for the participation in the RUFIN's mentorship programme for the groups, cooperative societies and – rural MFIs as well as formal financial institutions (i.e. commercial and microfinance banks), which, among other conditions, required a demonstrated commitment or willingness to providing rural financial services.[13] In addition to this, based on the Baseline Report findings, it was acknowledged that this criterion was challenging as only 20 per cent of the financial institutions had demonstrated interest in the rural financial services. Therefore, it would have required RUFIN to make significant efforts to promote the rural orientation among the urban and semi urban financial institutions, as well as to sustain the existing rural portfolios, as those rural focused MFIs were weak, fragmented and operated with outdated technologies.[14]

28. Despite the recognition of strong urban/semi-urban orientation of MFIs in general, but at the same time of the opportunities to strengthen rural orientation of some of them, some factors outside the programme control seem to have compromised the intention. These included the delayed establishment of the MSMEDF at CBN as a refinancing facility for MFIs, which was one of the assumptions at design. The fund was eventually established but only in 2014 "after sustained advocacy from RUFIN as well as capacity building of stakeholders ". But still access to the fund turned out to be less accessible to MFIs than envisaged, apparently due to the collateral requirement set at 75 per cent of the loan amount and long bureaucracy.

29. Based on the above, overall weak rural orientation of the RUFIN-assisted financial institutions, which had been known at the time of design and which the programme was set out to address with a combination of support on both demand and supply sides, is not seen as a basis for concluding that the design was inadequate and the relevance was weak as presented in the PCR.

30. The country programme evaluation (CPE) conducted by IOE in 2016 characterized RUFIN as over-complex and ambitious in two dimensions: multi-tier implementation and engagement with a wide range of partners.[15] At the same time, according to the PCR, RUFIN responded in several important ways to changing circumstances and lessons learned during implementation. Some of these changes (such as re-adjustment of the components and activities, including program management to the three-tier system) were of evolutionary nature, whilst others (grassroot groups formation methods[16] and RBPs for MFIs) represented new or different ways of doing things, in overall, without compromising the overall robustness of the original design.

31. As the project was well aligned with government and IFAD policies and strategies and made appropriate (but numerous) adjustments and was able to remain relevant, relevance is rated **moderately satisfactory (4)**, one point above the rating by the Programme Management Department (PMD).

Effectiveness

32. RUFIN had two main objectives.[17] As was noted earlier, all key output-level indicators

[13] Appraisal Report, Appendix VI.
[14] Report of Baseline Survey of the Microfinance Sector in Nigeria, page 13 and 15.
[15] CPE Nigeria, page 26 par. 78.
[16] Specifically: changing targeting from originally heterogeneous groups, including in the remote rural areas, to uniform groups by composition and with high concentration of members for easier access by MFIs.
[17] Defined in the Financing Agreement as *Purposes* (page 14) and remained the same in the amended version of the Agreement.

exceeded even the upwardly revised targets[18] by substantial margins. The outcomes of these outputs and the extent to which each objective was achieved are described below.

33. **Objective (i): Develop and strengthen rural financial services and enhance the accessibility of poor rural people to these services.** The project improved the management capacity and resource base of the supported MFIs. This enabled them to increase the size and quality of their rural portfolios. The number of active borrowers per MFI personnel reached to 300 compared to the target of 250. Average level of portfolio at risk at 2.5 per cent was below the target level of 5 per cent and substantially below the non-RUFIN MFIs' portfolio at risk (with up to 10 per cent). The RUFIN model of credit delivery through MFIs became attractive for State and Federal Government of Nigeria.

34. RUFIN support to the apex i.e. NAMB[19] and establishing of ANMFIN, improved the submission of annual reports and a self-regulatory approach by MFBs and built the capacity of rural MFI members. Before the involvement of NAMB, reporting by MFBs was about 50 per cent, which increased to over 85 per cent. The registered membership of ANMFIN reached over 4,000 MFIs, with four million end clients. With the assistance of RUFIN, ANMFIN advocated successfully for the relaxation of the stringent conditions for accessing MSMEDF.

35. RUFIN formed, trained and strengthened over 20,000 VSCGs, representing 280 per cent of the appraisal target and 140 per cent of the revised target. Almost 80 per cent of the groups formed and strengthened have been linked to MFIs, as against a target of 60 per cent. RUFIN also provided capacity building and linkage to various financial service providers for non-RUFIN groups: Fadama financed by the World Bank and the Value Chain Development Project financed by IFAD. Membership of VSCGs reached over 700,000, which is well in excess of both the original and revised targets.

36. The VSCGs have been effective in mobilising savings from their members. According to the PCR,[20] from the total volume of voluntary savings of N16.1 billion (US$52 million), about 11 per cent were from the RUFIN LGAs and 89 per cent from non-RUFIN LGAs. The volume of savings is well above the initial target, but only 52 per cent of the revised target of US$100 million. Credit flow from MFIs to rural communities amounted to NGN[21] 31 billion (US$99.3 million), well above the original target, but only 50 per cent of the revised target of US$200 million. It should be noted, however, that Appendix 10 of the same PCR presents very different figures for the same indicators, which are also difficult to make sense out of,[22] casting some doubts on the reliability of the available data, even if the accounts of a general growth trend seem to be consistent in different sources. Overall, the increased savings and lending activities among the RUFIN mentored groups and MFIs are directly attributed to the capacity building support that have improved the management ability, enhanced financial awareness and promoted a strong savings and credit culture amongst the village savings groups and MFIs.[23] Also, over the life of RUFIN MFBs accessed NGN 7.2 billion of wholesale funding from the MSMEDF. The combined amount of NGN 7.6 billion for RUFIN-assisted MFBs and MFIs is far above the baseline figure of NGN 50 million.

[18] PCR, Table 2, page 21.
[19] NAMB was established in 2009 before RUFIN was launched but has been supported by RUFIN in its work with CBN
[20] PCR page 23, par. 123.
[21] Nigerian Naira
[22] For example, Appendix 10 indicates US$83 million for voluntary savings and US$159 million for credit portfolio. But what is more puzzling is that these figures were apparently calculated by totalling annual figures from different years. For the indicators such as the amount of savings, it is not normal to have "cumulative" data.
[23] An Assessment of RUFIN Impacts on Microfinance Institutions and BoA, page 16.

37. **Objective (ii): Expand production and improve productivity of agriculture and micro-small rural enterprises.** As noted earlier, this objective seems to be at higher level and expected impact pathways to reach this objective relative to the project interventions were not evident. According to the PCR,[24] over 76,000 jobs were created because of RUFIN, among which 80 per cent in agriculture (on-farm and off-farm categories), but it is not clear how the number of jobs created was calculated or estimated. There were no specific indicators to assess improved productivity of the micro-small rural enterprises. The Impact Study presented some data related to agricultural production, which will be discussed in the section on rural poverty impact.

38. **Overall.** Sharp decline in oil prices from the beginning of 2014 damaged overall economic conditions, and imposed severe fiscal problems affecting the Government's capacity to timely provide counterpart funding, which affected the banking sector and MFBs. For the first half of the project RUFIN, mainly responded to CBN's objectives that were to strengthen the MFBs and limit their failure rates. This was very effective, but did little to improve access to rural financial services. This shortcoming was addressed through the introduction of the RBPs and stronger efforts in group formation, women's inclusion and savings mobilization. PCR concludes that more focus on rural outreach from the beginning and the earlier deployment of these measures would have substantially improved RUFIN's achievements.

39. There were two sets of RUFIN interventions to enhance access to financial services by the target group: strengthening the MFIs to efficiently provide loans to rural entrepreneurs and VSCGs; and strengthening the VSCGs to increase the volume of savings by members. The impact survey showed that a higher proportion of respondents in the participating LGAs reported household members having a bank account, borrowing money and having savings, than those in the non-participating LGAs.

40. Based on the above considerations, the effectiveness rating is **moderately satisfactory** (4) in line with PMD rating.

Efficiency

41. RUFIN experienced difficulties in getting started. There was an initial lag of 41 months between approval by IFAD's Executive Board and the entry into force in February 2010.[25] According to the PCR, the delay was due to RUFIN not being included in the Government borrowing plan, and the long period needed for the parliament to approve the loan to make a decision on the host ministry.

42. The implementation was slow in the first half of the programme life and the disbursement rate for the IFAD loan at the time of MTR was about 25 per cent. The PCR lists the following factors for slow implementation: poor availability of counterpart funds; limited rural outreach of the MFIs and non-availability of the refinancing facility; limited awareness of RUFIN among the main partners (e.g. CBN, BoA, FDC, NAMB and ANMFIN), which improved in the latter part of the programme. Procurement bottlenecks and cash flow interruptions also affected the implementation process.[26] The disbursement performance was largely assessed as moderately unsatisfactory by supervision missions. According to the PCR, while this was largely due to technical implementation issues, critical inefficiencies in the funds flow arrangement

[24] PCR, Appendix 9: Physical Progress Tables, and Annex III of this Project Completion Report Validation.
[25] PCR, page 29: The delay was due to RUFIN not being included in the Government borrowing plan, and the long period needed to decide on the host ministry. After eventual start in March 2010, implementation during the first half of the Programme life was held back by the poor availability of counterpart funds, limited rural outreach of the MFIs and non-availability of the refinancing facility.
[26] PCR, page ii.

exacerbated the disbursement lag.[27] The disbursement rate for the IFAD loan remained lower than expected till the last minute: 77 per cent 6 months before the project completion and 84 per cent at project completion date, while the disbursement rate at financial closing eventually reached 94 per cent.

43. According to the President's report, the cost per beneficiary household was estimated to be about US$120.[28] The actual cost at completion was US$99.[29] The costs per individual borrower and saver were US$64 and US$47 respectively. This low cost per beneficiary cannot be directly interpreted as a measure of efficiency. The cost of Programme Coordination and Management was 14 per cent of the total actual costs as opposed to 10 per cent target. The actual cost for this component was over 30 per cent higher than the original allocation, while the investments for the first component was 20 per cent less than the budget.

44. The Appraisal Report spelt out the economic rationale for RUFIN, but did not attempt to estimate the internal rate of return in either financial or economic terms. The benefits of the Programme were expected to emerge at various levels including macro, meso and micro levels. None of these expected benefits could be meaningfully quantified.[30] However, the PCR indicates that many of them have been realised to some extent.

45. The Project Completion report Validation (PCRV) rates the efficiency as **moderately unsatisfactory** (3), which is the same rating assigned by PMD.

Rural poverty impact

46. The evidence concerning RUFIN's impact on rural poverty is mixed. The PCR impact assessment study found that beneficiaries fared better than non-beneficiaries by most (but not all) measures but the differences were generally quite small and insufficient on average to lift families out of poverty. Whilst there were some improvements in household assets and incomes, the great majority of the target group remains poor. However, given the capacity-building work that has been undertaken, and the improved rural outreach by MFIs, it can be expected that improved access to financial services will generate further improvements in living standards for RUFIN's beneficiaries and that additional households will be linked to financial services over time (beyond RUFIN completion).[31]

47. **Household income and assets.** Based on the impact study data, the PCR noted lack of significant differences in the incomes and expenditures of participating and non-participating households and that this could be explained by the following: (i) possible under-reporting of income by beneficiary households; (ii) many of the non-participating households derived higher incomes from paid employment and trade than the participants received from their major farm and non-farm enterprises in which they invested their loans; (iii) the generally higher levels of remittances that flowed to the non-participating households; and (iv) the low level of investment by RUFIN (average amount of credit of NGN5,000 (US$16) to N80,000 (US$258) per season per

[27] The PCR notes the following factors which negatively affected the flow of funds: (i) problems with commitment of state governments for counterpart funds; (ii) the overly-ambitious pari-passu co-financing arrangements established at design that delayed payments and on many occasions stalled implementation altogether.
[28] Total project cost divided the number of total targeted households.
[29] PCR, page 30.
[30] PCR, page 33.
[31] Page 24. The PCR Impact Study aimed to identify the effects on individual households, institutions and the environment that could be attributed to RUFIN, or to which RUFIN made a contribution. The analytical approach was based on comparing outcomes in the RUFIN participating group to outcomes in the control group. Before-after comparisons were also applied where feasible. The study conducted interviews with the beneficiary groups and individual households and non-beneficiary households in the 12 Programme states, and beneficiary and partner institutions, as well as a review of secondary information.

household), is not expected to make significant changes in the revenue stream from most on-farm enterprises

48. **Human and social capital and empowerment** According to the Impact Study Report, most of the capacity building interventions implemented by RUFIN had a positive impact on the target group, strengthening their management capacity as well as the ability to access MFI credit and other services. The interventions were classified into three categories: **linkage with financial services**; **training on business and group management**; and **mentoring**.

49. RUFIN's work with VSSGs empowered their members by demonstrating a new approach to working with farmer organisations and groups at the community level. Before RUFIN, farmer organisations, cooperatives and groups in Nigeria had high rate of failure caused by lack proper institutional development. They often disintegrated or became dormant after receiving the benefits. RUFIN was able to change the situation in the participating states through a savings-led approach within the VSSGs, and development of formal linkages with MFIs under the RBP approach.

50. **Food security and agricultural productivity** According to the impact study, the participating households fared slightly better on all the measures of food security: the mean duration of household food self-sufficiency (8.8 months for the participating and 8.6 months for the non-participating households); experience of hungry seasons since 2011 (some 53 per cent of participating households compared to 57 per cent of non-participants); the number of meals per day (2.8 versus 2.6). However, it is not clear whether these differences are statistically significant. There were no significant differences in dietary composition.

51. Regarding agricultural production and productivity, according to the impact study and the PCR, the participating households owned slightly larger farms (2.15 ha) than the non-participating households (2 ha) and more participants engaged in crop cultivation, livestock rearing, fishery and off-farm agricultural activities than the non-participants.[32] But there is hardly any data that would indicate changes or difference in agricultural productivity.

52. **Institutions and policies.** From the information provided in the documents, it emerges that RUFIN led to changes in quality and performance of institutions, policies and the regulatory framework in the micro finance sector in Nigeria.

53. On the macro level, RUFIN's supported the revised Microfinance Policy Framework in 2011, the National Financial Inclusion Strategy in 2012, which identified several tools for reducing financial exclusion such as agent banking, financial literacy, consumer protection, and MSMEDF financing.

54. On the meso level, RUFIN strengthened governance and management structures of two apex organizations: NAMB and ANMFIN, helped establish CBN's state Rural Outreach Coordinating Committees (ROCCs) with the mandate to increase rural outreach by financial institutions and to strengthen the state chapters of the apexes. RUFIN introduced the RBP approach that helped financial institutions to adapt themselves for delivering rural operations in a sustainable manner.

55. Overall, while the available data on incomes, assets, food security and agricultural productivity are not conclusive, the programme impact is considered have been more visible for institutions and policies. The programme also made contribution to

[32] For example, the impact study reported that 61.5 per cent of the participating households owned or reared livestock compared to 41.5 per cent of the non-participating households. For on-farm activities, the figures were 29.5 per cent compared to 20.9 per cent. On the other hand, more non-participating households (29.4 per cent) were engaged in non-agricultural enterprises (compared to 24.8 per cent of the participating households).

strengthening and empowering beneficiary groups. Rural poverty impact is rated **moderately satisfactory (4)**, in line with PMD rating.

Sustainability of benefits

56. The sustainability of RUFIN's achievements is assessed according to the following criteria: (i) institutional sustainability; (ii) technical sustainability; (iii) social empowerment; (iv) responsiveness of service providers; and (v) exit strategy.[33]

57. **Institutional sustainability.** There are two major positive factors contributing to the institutional sustainability. Firstly, the relative share of the strong groups (55 per cent),[34] unions and associations formed and developed, which was reached predominantly after MTR, could constitute a critical mass for further development of the system after-RUFIN. Secondly, the partnerships facilitated by RUFIN - with CBN, apex bodies and FDC with its training arm, the Federal Colleges of Cooperatives - provide the best prospects for sustainability.[35] With regards to the Programme coordinating institutions at federal and state levels, findings presented in the thematic study on Beneficiary Satisfaction Assessment, is worrying: "In virtually all the states, there was neither any sustainable strategy for institutionalization of RUFIN coordinating mechanism in their rural micro credit programmes nor strategic plan on how to absorb or replicate the RUFIN state coordinating institution in the relevant line ministries in the respective states." [36] However, it states the only exception was in Lagos state where the state coordinator of RUFIN was then appointed to coordinate all micro credit schemes of Lagos state government under the Ministry of Agriculture.

58. **Technical sustainability.** RUFIN developed technical manuals on microfinance management and provided them to the apexes, master trainers, and a group of individual and institutional service providers for packaging and organizing trainings. These apexes and service providers are described by PCR as main pillars of technical sustainability. At the same time, the service providers need to expand the range of courses.

59. **Social sustainability.** Both MTR and PCR have observed the high level of social acceptance of microfinance activities in the project areas which are supportive of social sustainability. MTR identified several issues that could dilute social sustainability.[37] Some of these issues were addressed after MTR resulting in RUFIN mentoring the groups which has enhanced group cohesion and strengthened their sustainability. Among the positive contributing factors are: VSCGs' capacity building that ensured greater financial inclusion of women, and with their savings orientation, enabled group self-sustainability; and involvement of volunteers for initial mobilisation, formation and strengthening of the VSCGs and their linkage to MFIs. The strong side of the latter is its self-funded and self-managed nature of the groups enabling beneficiaries to define the volume of savings and credit according to their needs and capacities. At the same time, the PCR stated a key challenge to sustainability is finding cost-effective training for the groups.

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[33] (vi) potential for scaling up is discussed in a separate section below.
[34] However, the appraised target was 60 per cent of a lesser total of 10,000 groups (vs. 16,984 actual).
[35] PCR, page 34. This argument is based supported by the following statements: (i) the apex bodies are expected to continue RUFIN's work of capacity building of MFIs for improved rural outreach; (ii) as the two apexes have been scaling up the RBPs to non-RUFIN states they are capable of doing this in the future; (iii) CBN incorporated RBP model into the certifications of MFBs.
[36] Beneficiary Satisfaction Assessment of the IFAD/ Federal Government of Nigeria RUFIN, May 2016, page 63.
[37] MTR, page 24: "(a) presence of members with wide range of economic conditions in the same group which can cause future conflicts as the credit requirements of these members are different; (b) very large sized groups making problem solving and crisis management relatively difficult; (c) greater focus on the development of Islamic Banking products is needed in relevant areas; (d) group bonding based on the expectation of external credit the prolonged absence of which weakens the group."

60. Despite positive aspects, still these mentored groups are very few relative to the overall needs and stand as islands in large communities, and PCR concludes that "this has made the group system fragile and reduced the scope for developing village-level association of groups to provide a stronger and resilient support network". Thereafter, the PCR generalizes this issue as the whole group system problem: "Despite the success of the groups in the RUFIN villages, the system has not diffused to other developmental programmes including other IFAD supported projects. This could affect the sustainability of the group system. The groups to be formed post-RUFIN by MFIs and their agents need to focus more on developing financial linkages as well as the internal capacity of the groups."[38] According to IFAD,[39] RUFIN missed the opportunity to act as a "service provider" to other projects (including but not only limited to IFAD-financed ones) to facilitate access to financial credit to their target groups – which was the rationale of RUFIN having been conceived as a stand-alone rural finance programme.

61. **Availability of service providers/trainers.** As stated in the 2016 Supervision Report,[40] during the early years, RUFIN staff was delivering training and capacity building services. With time, RUFIN provided training of trainers to the service providers for them to deliver the training and capacity building inputs.[41] This could be considered as an important element of sustainability. Similarly, according to the PCR, the RUFIN service providers have been responsive to RUFIN's requirements. The pool of competent trainers has been formed and they are present in: (i) both apexes which have enough capacity to train trainers for group formation and RBPs; (ii) LAPO training institute; (iii) other projects such as Fadama III financed by the World Bank. The PCR concludes that this represents a good resource for future replication of RUFIN activities.

62. **Exit strategy.** A comprehensive exit strategy was developed by the final supervision missions towards the programme end and was focused on state and the national level. At the state and LGA levels, it was to motivate the State Governments to initiate Rural Outreach Units, strengthen collaboration between the ROCCs and the CBN Financial Inclusion Secretariat, develop guidelines for the volunteer system, and align the state chapters of NAMB and ANMFIN to the rural outreach mandate. At the national level, the exit strategy aims to secure CBN approval and budget for nation-wide adoption of the RUFIN approach. PCR also mentions: "linking 'winner initiatives' to other IFAD projects; ensuring the continuation of the RUFIN implementation set up after closure; strengthening transparency of the sector and ensuring the public access to RUFIN success stories even after RUFIN closure." The PCR also recognised that "the proposal of mainstreaming RUFIN activities into the operations of the implementing partners may prove to be challenging, due to funding constraints and inadequate technical capacity in some participating institutions." In conclusion, the exit strategy is in place but some of the aspects of its implementation is outside RUFIN's direct control.

63. The analysis of all sub-domains suggests that there are some prospects for sustainability of benefits achieved beyond project completion, even though they still need to be consolidated and there are several areas of major concern. Adequate ownership and the handover/ exit mechanisms on a state level were absent at the time of PCR which recommended those to be established as early as possible.[42] The

[38] PCR, page 34.
[39] Based on the IFAD comment on the draft PCRV.
[40] RUFIN Supervision Report, December 2016, page 21.
[41] For example, LAPO training institute is involved in training groups as well as for mentoring several RMFIs. RUFIN support has also enabled the apexes to train a cadre of master trainers on topics relevant to the RUFIN's rural outreach mandate such as group formation and RBP.
[42] PCR, page V.

draft exit strategy was still needed to be formally adopted by CBN management, and more importantly, budgetary resources were to be allocated for its implementation.[43] It was recognised that the proposal of mainstreaming RUFIN activities into the operations of the implementing partners may be jeopardised due to funding constraints and inadequate technical capacity in some participating institutions.[44]

64. Therefore, this domain is assessed as **moderately unsatisfactory (3)**, the same as rated by PMD.

B. Other performance criteria

65. **Innovation**. The PCR does not have a section on innovation. Only in the MTR, there is a discussion on some specific innovative products introduced by two MFBs, such as "door-step savings scheme" and "a model on credit mobilization".[45] However, the same MTR noted that the knowledge of such innovative products was not properly shared among other MFBs.

66. The PCRV could qualify at least three initiatives as innovations that were introduced by RUFIN during the project implementation, mostly when responding to the MTR recommendation after the first half of the project did not meet its main objectives and the project was at major risk of failure. These are: (i) the RBP approach to align MFI/MFBs business models with the RUFIN created and mentored groups; (ii) the VSCG redesigned approach to unify the groups and make them adaptable to the RBPs and therefore ensure the formal linkage; and (iii) using volunteers as the change agents in group formation, mobilization, education and linkage of the groups to MFIs. These approaches were innovative and could be replicated and institutionalized relatively easily. They actually bailed out the project from possible failure, which also could be caused by the factors outside RUFIN's control (such as: lack of responsiveness from government agencies; delays in launching the refinancing facilities and funds; the delays and obstacles created in accessing the existing refinancing funds).

67. The rating for this criterion is **moderately satisfactory (4),** the same as rated by PMD.

68. **Scaling up.** The PCR Mission Stakeholder Workshop identified the following best practices that have potential for scaling up: group development methodology, group lending methodology, users/demand driven friendly financial product, registration on MIX market,[46] and RBP.[47] As all these practices have been successfully implemented, the PCR logically concluded that they are well justified for scaling up. Even though the information in the PCR section of "potential for scaling-up" is very limited, some actions and plans on scaling-up can be gleaned from other sections of the PCR. The PCR indicated that RUFIN provided capacity building and linkage to various financial service providers for other projects, such as Fadama III financed by the World Bank and that a pool of service providers and trainers emerging from RUFIN serves as a good conduit for scaling-up. In part owing to the results of RUFIN's support to the apex organizations to train a cadre of master trainers on topics such as group formation and RBPs, NAMB and ANMFIN were expanding the activities to non-RUFIN states. According to the PCR, ANMFIN was: (i) providing services to its members in capacity building, financial linkages, technology, and organisational development; (ii) implementing programmes based on the RUFIN objectives in the 25 non-RUFIN states;

[43] PCR, page VIII.
[44] PCR, page 37.
[45] Prudential Cooperative MFB in Akwa-Ibom that covers more LGAs in and outside the states. MTR, Page 17.
[46] Industry-leading data and intelligence platform for socially responsible investors: www.mixmarket.org
[47] PCR, Appendix 13, page 4.

(iii) undertaking activities devolved to it by RUFIN, such as RBP training; (iv) replicating the RBP in the 25 non-RUFIN states having trained 47 master trainers for that purpose; and (v) rolling out the cloud-based microfinance application to generate sufficient revenue to sustain ANMFIN in the long run.[48]

69. The PCR also indicated that there was buy-in by CBN for replication on a national scale and an interdepartmental committee has been set up to define the scope of activities that could be supported by CBN post RUFIN. However, there are some uncertainties as the financing mechanism of these activities in the future is not known.

70. The PCRV rates this criterion **moderately satisfactory (4)**, which is the same as the rating provided by PMD.

71. **Gender equality and women's empowerment.** The thematic study on gender[49] concluded the following: (i) generally, there was gender fairness in the composition of the VSCGs; (ii) most decisions were taken in collaboration between husbands and wives, and women were becoming more independent of their husbands in terms of offsetting some household costs; and (iii) most families enjoyed more harmonious existence due to financial empowerment of women.

72. Women in leadership position and participation have increased during the programme. Around 70 per cent of the groups formed have women in leadership positions, more than double the appraisal target. Women were trained in entrepreneurship, financial management, book-keeping, group dynamics, and governance aspects. These have enabled women to improve on their financial, business, leadership, and management skills and have also assisted in promoting a common vision and understanding of gender equality and women empowerment among VSCGs. It has increased women's participation in VSCGs and has improved their access to income. Positive changes in gender relation and improved financial well-being were recorded as a result of awareness and sensitization using Gender Action Learning System methodology.

73. In the following table the gender disaggregated data is presented for several key performance indicators that shows that Programme was proactive in achieving gender mainstreaming.

Table 3
Gender disaggregated data

Performance Indicator	Women's share in total adults*	% of target
KPI-3: Number of Jobs Created by Gender	52%	134%
KPI-7: Staff of FI's trained	56%	110%
KPI-12: Number of active borrowers	67%	94%
KPI-13: Number of voluntary savers	63%	91%
KPI-16: People in savings and credit groups formed/strengthened	56%	190%
KPI-18: Total outreach segregated by geneder	71%	109%

*** Excluding Youth female**

74. In the core project objective of linking MFBs and groups, addressing gender aspects have been approached by RUFIN from development perspective. Women members were admitted in existing men's groups for gender balance resulting in mixed gender

[48] PCR paragraph 187.
[49] Gender Impact Assessment of RUFIN, November 2016. The study was conducted in all the twelve states covered by RUFIN. Structured instrument was used to collect data through key informant interviews and focus group discussion. The objectives of this study were the assessment of gender impact on female and male beneficiaries, level of gender integration, and the contribution of gender integration to the achievement of overall programme goals in relation to gender relations and roles, access and control of resources.

group promotion.[50] MTR observed that full women's groups had more conducive risk profiles for forming bank linkages.

75. The PCRV rates this domain as **satisfactory (5)**, in line with PMD rating.

76. **Environment and natural resource management**. Due to the nature of the interventions, the programme's direct interface with the issues related to environment and natural resource management was limited. The PCR does not rate this criterion and PCRV refrains from rating likewise.

77. **Adaptation to climate change**. Due to the nature of the interventions, the relevance of this programme to adaptation to climate change was limited. The PCR does not rate this criterion and PCRV refrains from rating likewise

C. Overall project achievement

78. Based on the individual ratings for relevance, effectiveness, efficiency, rural poverty impact, sustainability, innovation/scaling up, and gender equality and women's empowerment, the PCRV assesses the RUFIN's overall achievement as **moderately satisfactory (4)**. This is the same overall rating assigned by IFAD's Programme Management Department and the Nigeria CPE.

D. Performance of partners

79. **IFAD.** The PCR does not explicitly examine the performance of the Fund. However, from the desk review carried out, it can be inferred that IFAD performance was sufficiently good, even though not entirely satisfactory. As noted by the 2016 CPE, underperformance in certain areas can be also attributed to some weakness in the implementation support. According to the PCR,[51] IFAD did provide extensive backstopping and support for RUFIN via the Nigeria Country office and various support missions from Headquarters. There were 13 supervision missions, each of which provided detailed analysis and recommendations. According to the PCR, the supervision team membership was fairly consistent, which enabled them to become familiar with the Programme and the implementation context. Several important changes were agreed during these missions.

80. On the other hand, specifically referring to RUFIN,[52] the CPE noted that despite the country office presence, RUFIN had still faced delays in approval and effectiveness.[53] The PCR also points out that the amendment to Schedule II of the financing agreement, to address the issue of limited counterpart funding, should have been done earlier in the programme life and not towards the end – for which IFAD would have had a role to facilitate the Government request.

81. The rating is **moderately satisfactory (4)**, in line with PMD rating.

82. **Government.** RUFIN by design was heavily dependent on partnerships with the lead ministry (FMARD) having a negligible role. According to the PCR,[54] the awareness among the main partners (CBN, BOA, FDC, NAMB and ANMFIN) was initially low. Ownership and level of sensitisation and awareness of RUFIN activities, particularly the rural outreach agenda, improved over time. Within CBN, under the umbrella of the

[50] MTR, page 17-18: In most cases, the new women members were spouses of men members resulting in multiple memberships from the same household and if both family members access future external loans it can potentially lead to over- indebtedness. Demand profile of women-led small enterprises was usually small and friendlier for obtaining bank financing. However, when combined with predominantly men's groups which had larger demands for farming loans which MFBs tended to avoid initially – the opportunity for funding for the women led activities are also lost.
[51] PCR, page 32.
[52] CPE covered three other projects besides RUFIN.
[53] CPE, page 64.
[54] PCR, page 32.

Development Finance Department (DFD), there was a positive shift in the commitment to the rural outreach agenda. DFD coordination with other departments of CBN improved over time and DFD spearheaded implementation of the ROCCs. CBN's Research Department took the lead with RBPs and is expected to continue steering the way for further outreach. The Other Financial Institutions Supervision Department did well initially with on-line rendition of reports, but its efforts to launch the National Microfinance Bank Unified Information Technology Platform were ineffective. CBN disbursed over 60 per cent of Programme costs. CBN's commitment to RUFIN developed steadily over the seven-year implementation period to the point where ongoing CBN support for the microfinance sub-sector became critical to the sustainability of RUFIN's achievements.

83. Limited availability of counterpart funds[55] affected the flow of funds and implementation. Financial management encountered several challenges over RUFIN's implementation period.

84. This domain is rated **moderately unsatisfactory (3)**, in line with PMD rating.

IV. Assessment of PCR quality

85. **Scope.** The report chapters and annexes in most parts follow the format of the PCR guidelines[56] and some sections are significantly more detailed than the recommended volume (Executive Summary, Programme Description, and Lessons Learned), which makes the total. The PCR main report is 53 pages long compared to recommended 22-29 pages. The part of the sections covering innovation, replication and scaling-up are not addressed with sufficient detail, and the section on quality of project management does not sufficiently discuss the management's responsiveness to the supervision recommendations and the quality of the monitoring and evaluation. On the other hand, the annexes are comprehensive and contain data relevant to the main text. Scope is rated **moderately satisfactory (4).**

86. **Quality.** Overall, the PCR provides evidence to assess the programme, but in some areas not comprehensive enough to reach conclusions (on relevance, exit strategy, and scaling-up). The findings are supported by thematic studies and surveys conducted as part of the completion review process and later validated by stakeholders. The quality of data in the thematic studies and their conclusions are not discussed enough in detail. For example, the data on loan details and how the loans were utilised were not available, and conclusions were supported by interviews and anecdotal evidence. The PCR quality is rated **moderately satisfactory (4).**

87. **Lessons.** Mostly, lessons presentation in the PCR is relevant (such as on: effective project approaches and limitations with the refinancing facilities), but some are too general and self-evident (such as knowledge management, engagement of service providers, and capacity building focus on rural outreach). Generally, there is a lack of presentation of the specific lessons supported by the thematic studies on the groups and MFIs. The rating is **moderately satisfactory (4).**

88. **Candour.** The narrative tone of the PCR is neutral, and the performance is fairly objectively assessed, even though some weaknesses, which have arisen during implementation, could have been explained more in detail. These include the issues related to existing groups capacity building and departing from focusing on the Rural Microfinance Institutions (RMFIs) restructuring, which eventually led to significant program changes after MTR. The report states positive, as well as less positive results.

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[55] Mainly due to the decline in oil prices and other economic constraints that affected the Government's fiscal space during the project implementation.
[56] Project Completion Report Guidelines, 2015.

Candour is rated **satisfactory (5)**.

89. **Overall rating on PCR quality.** Based on the above, the overall rating on PCR quality is **moderately satisfactory (4).**

V. Lessons learned

90. The PCR presents 18 key findings and derives 14 lessons learned from the Programme. In this section, a further consolidation of the four most notable lessons learned is given.

- Addressing rural finance as an institutional problem by a general project as RUFIN was found to be challenging and problematic in terms of achieving effectiveness and measuring the impact on direct beneficiaries. The major assumption that the capacity building in the upper part of the pyramid (upper tier), which was mainly done before MTR, would "trickle down" to the beneficiaries at the base, was not accurate. The supply response in the second half of the project also appeared to have been limited by the urban orientation of most MFIs at the outset and their low priority for servicing rural clients.
- CBN was found to be the most important institution to partner with for the Programme replication, scaling-up and sustainability. RUFIN has been very successful in institutionalization of that relationship model and CBN has committed to continue implementing RUFIN core activities (VSCGs and RBP approach). This model has been recommended to be integrated in future rural finance programmes from the beginning.
- Partnership with NGO-MFIs and financial cooperatives were crucial in developing the momentum of rural outreach. Initial reliance on MFBs proved to be wrong, because of the regulatory restrictions on unit banks in opening rural branches, and the lack of commercial interest in rural finance and general fear of testing new ideas for rural outreach, such as linkages to village-level volunteers/agents.
- Availability of refinancing facilities (such as MSMEDF) turned out to be a key factor in the success of RBPs.

91. This PCRV adds the following lesson: Predominantly urban orientation of the partner MFIs/MFBs, the fact that was clearly documented in the initial design and baseline study, was originally planned to be addressed by well-defined capacity building efforts in combination with the refinancing funds and facilities that were wrongly assumed to be accessible. This situation led to poor understanding of the Programme among stakeholders and created wrong expectation of RUFIN as financing source. Not addressing these issues through active sensitization activities resulted in under-performance of the programme before MTR.

Definition and rating of the evaluation criteria used by IOE

Criteria	*Definition* *	*Mandatory*	*To be rated*
Rural poverty impact	Impact is defined as the changes that have occurred or are expected to occur in the lives of the rural poor (whether positive or negative, direct or indirect, intended or unintended) as a result of development interventions.	X	Yes
	Four impact domains		
	• Household income and net assets: Household income provides a means of assessing the flow of economic benefits accruing to an individual or group, whereas assets relate to a stock of accumulated items of economic value. The analysis must include an assessment of trends in equality over time.		No
	• Human and social capital and empowerment: Human and social capital and empowerment include an assessment of the changes that have occurred in the empowerment of individuals, the quality of grass-roots organizations and institutions, the poor's individual and collective capacity, and in particular, the extent to which specific groups such as youth are included or excluded from the development process.		No
	• Food security and agricultural productivity: Changes in food security relate to availability, stability, affordability and access to food and stability of access, whereas changes in agricultural productivity are measured in terms of yields; nutrition relates to the nutritional value of food and child malnutrition.		No
	• Institutions and policies: The criterion relating to institutions and policies is designed to assess changes in the quality and performance of institutions, policies and the regulatory framework that influence the lives of the poor.		No
Project performance	Project performance is an average of the ratings for relevance, effectiveness, efficiency and sustainability of benefits.	X	Yes
Relevance	The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, institutional priorities and partner and donor policies. It also entails an assessment of project design and coherence in achieving its objectives. An assessment should also be made of whether objectives and design address inequality, for example, by assessing the relevance of targeting strategies adopted.	X	Yes
Effectiveness	The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.	X	Yes
Efficiency	A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted into results.	X	Yes
Sustainability of benefits	The likely continuation of net benefits from a development intervention beyond the phase of external funding support. It also includes an assessment of the likelihood that actual and anticipated results will be resilient to risks beyond the project's life.	X	Yes
Other performance criteria			
Gender equality and women's empowerment	The extent to which IFAD interventions have contributed to better gender equality and women's empowerment, for example, in terms of women's access to and ownership of assets, resources and services; participation in decision making; work load balance and impact on women's incomes, nutrition and livelihoods.	X	Yes
Innovation	The extent to which IFAD development interventions have introduced innovative approaches to rural poverty reduction.	X	Yes
Scaling up	The extent to which IFAD development interventions have been (or are likely to be) scaled up by government authorities, donor organizations, the private sector and others agencies.	X	Yes
Environment and natural resources management	The extent to which IFAD development interventions contribute to resilient livelihoods and ecosystems. The focus is on the use and management of the natural environment, including natural resources defined as raw materials used for socio-economic and cultural purposes, and ecosystems and biodiversity - with the goods and services they provide.	X	Yes

Criteria	*Definition* *	*Mandatory*	*To be rated*
Overall project achievement	This provides an overarching assessment of the intervention, drawing upon the analysis and ratings for rural poverty impact, relevance, effectiveness, efficiency, sustainability of benefits, gender equality and women's empowerment, innovation, scaling up, as well as environment and natural resources management, and adaptation to climate change.	X	Yes
Performance of partners			
• IFAD • Government	This criterion assesses the contribution of partners to project design, execution, monitoring and reporting, supervision and implementation support, and evaluation. The performance of each partner will be assessed on an individual basis with a view to the partner's expected role and responsibility in the project life cycle.	X X	Yes Yes

* These definitions build on the Organisation for Economic Co-operation and Development/Development Assistance Committee (OECD/DAC) Glossary of Key Terms in Evaluation and Results-Based Management; the Methodological Framework for Project Evaluation agreed with the Evaluation Committee in September 2003; the first edition of the Evaluation Manual discussed with the Evaluation Committee in December 2008; and further discussions with the Evaluation Committee in November 2010 on IOE's evaluation criteria and key questions.

Rating comparison [a]

Criteria	*Programme Management Department (PMD) rating*	*IOE Project Completion Report Validation (PCRV) rating*	*Net rating disconnect (PCRV-PMD)*
Rural poverty impact	4	4	0
Project performance			
Relevance	3	4	+1
Effectiveness	4	4	0
Efficiency	3	3	0
Sustainability of benefits	3	3	0
Project performance [b]	3.25	3.50	+0.25
Other performance criteria			
Gender equality and women's empowerment	5	5	0
Innovation	4	4	0
Scaling up	4	4	0
Environment and natural resources management	NA	NA	-
Adaptation to climate change	NA	NA	-
Overall project achievement [c]	**4**	**4**	**0**
Performance of partners [d]			
IFAD	4	4	0
Government	3	3	0
Average net disconnect			**0.1**

[a] 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.
[b] Arithmetic average of ratings for relevance, effectiveness, efficiency and sustainability of benefits.
[c] This is not an average of ratings of individual evaluation criteria but an overarching assessment of the project, drawing upon the rating for relevance, effectiveness, efficiency, sustainability of benefits, rural poverty impact, gender, innovation, scaling up, environment and natural resources management, and adaptation to climate change.
[d] The rating for partners' performance is not a component of the overall project achievement rating.

Ratings of the project completion report quality

	PMD rating	*IOE PCRV rating*	*Net disconnect*
Scope	-	4	
Quality	-	4	
Lessons	-	4	
Candour	-	5	
Overall rating of the project completion report		4	

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

Output Delivery

Output	Unit	Number: Actual	Number: Appraisal Target	Number: Revised Target	% Delivery: Appraisal Target	% Delivery: Revised Target
Capacity building and Technical Support to Bank and Non-Bank MFIs						
Sub-component 1.1: Improved Management Capacity and Resource Base of MFIs						
Number of active farmer groups networked according to:	No	16,984	7,000	10,000	243%	170%
Strong		9,410	4,000	6,000	235%	157%
Moderate		4,810	2,000	2,500	241%	192%
Weak (Emerging)		2,764	1,000	1,500	276%	184%
Number of Jobs Created by enterprise type	No	76,425	33,000	66,000	232%	116%
On-farm agricultural activities		38,120	12,000	26,400	318%	144%
Off-farm agricultural activities		23,189	14,000	27,720	166%	84%
Off-farm Non-agricultural activities		15,116	7,000	11,880	216%	127%
Number of Jobs Created by Gender	No	76,425	33,000	66,000	232%	116%
Men		24,912	4,080	7,920	611%	315%
Women		27,514	10,200	20,460	270%	134%
Male youth		9,949	8,820	17,820	113%	56%
Female Youth		14,050	9,900	19,800	142%	71%
Physically challanged		273	1,000	Nil	27%	
Amount Of Income earned by beneficiaries accordingly	NM					
On-farm agricultural activities		2.65	1.5		177%	
Off-farm agricultural activities		2.8	1.8		156%	
Off-farm Non-agricultural activities		2.44	2		122%	
Number of active Financial/Credit service providers	No	429	140			
MFBs		212	70		303%	
NGO MFI/financial cooperatives		217	70		310%	
Number of FI's benefitting from programme trainings	No	1,337	94	857		
MFBs		815	70	857	1164%	95%
Non-Bank MFI (NGO MFI) including fin coops		522	24		2175%	
Member Based Village Savings and Credit Groups (VSCG) trained	No	10,392	7,500		139%	
Staff of FI's trained		12,834	7,250	11,000	177%	117%
Men		5,161	3,000	5,000	172%	103%
Women		6,622	3,000	6,000	221%	110%
Male youth		175	200		88%	
Female Youth		876	1,050		83%	
Physically challanged		14				
Sub-component 1.2: Improved Access to Refinance and linkage facilities						
Number of MFIs with PAR not exceeding 5% by institutions	No	85	140			
MFBs		72	70		103%	
Financial NGOs		24	46		52%	
Financial cooperatives		20	24		83%	
# of MFBs, fin NGOs and fin coops accessing wholesale credit from b	No	152	50		304%	
Amount of wholesale credit disbursed by banks (billions)	NM	8,664	930	8,500	932%	102%
Volume of credit extended to beneficiaries	NM					
Individual (average per individual)		60,334	150,000		40%	
Groups		31,703	600	42,000	5284%	75%
Number of active borrowers	No	525,464	20,000	540,000	2591%	96%
Men		96,996	7,500	90,000	1272%	106%
Women		201,263	7,500	210,000	2643%	94%
Male youth		92,712	2,500	100,000	3670%	92%
Female Youth		134,493	2,500	140,000	5314%	95%
Physically challanged		450	600	Nil	75%	
Number of voluntary savers	No	710,770	54,996	800,000	1292%	89%
Men		145,227	26,002	75,000	559%	194%
Women		249,434	15,002	275,000	1663%	91%
Male youth		132,530	6,996	225,000	1894%	59%
Female Youth		183,579	6,996	225,000	2624%	82%
Physically challanged		3,059	1,200		255%	
Volume of savings or deposits by beneficiaries	NM	16,149	275	21,000	5870%	77%
Component 2: Improved Institutional Environment for Microfianance Development						
Savings/credit groups formed/strengthened	No	21,212	7,500	15,000	280%	140%
People in savings and credit groups formed/strengthened	No	719,419	262,500	393,840	272%	181%
Men		188,571	95,000	71,232	198%	265%
Women		238,380	95,000	125,688	251%	190%
Male youth		109,264	36,250	78,768	301%	139%
Female Youth		183,204	36,250	118,152	505%	155%
Physically challanged		1,595	500	Nil	319%	
Savings/credit groups formed with women in leadership position	No	14,777	3,750	9,000	394%	164%
Component 3: Program Management and Coordination						
Total outreach segregated by geneder	No	4,630,215	2,070,000	4,200,000	224%	110%
Men		1,356,693	1,035,000	1,200,000	131%	113%
Women		3,273,522	1,035,000	3,000,000	316%	109%
Youth		1,774,280	1,519,000		117%	
Physically challanged		3,059	1,200		255%	
Households		771,063	345,000	700,000	223%	110%

Summary of significant changes in components and sub-components

#	Original at design	#	Amended	Explanations
1	**Development and strengthening of member-based rural MFIs (RMFIs)**	1	**Capacity Building and Technical Support to Bank & Non-bank Microfinance Institutions**	Original components 1 and 2 were merged and all sub-components related to enabling environment- moved to a separate, new component-2
1.1	Improvement in the policy, legal and institutional framework for the development of member-based rural MFIs (RMFIs).	1.1	Capacity Building of Bank & Non-bank Financial Institutions	**RMFI**- at design was defined as a member-based organization engaged *inter alia* in saving and/or activities, such as group, association, union, or agency depending on a predefined stage of development (with 3 hierarhical development stages, Appendix VIII of Appraisal Report).
1.2	Development and strengthening of rural MFIs and their apex organizations.			The sub-comp. 1.2 objective was to transform RMFIs from stage 1 to stage 2 and 3 to make them bankable, also develop new and support existing RMFIs. **MFI-** defined in the Financial Agreement as as non-bank microfinance institution including RMFIs** In all other documents- **MFI**s are collectively referred to all bank and non-bank institutions providing microfinance services.
1.3	Promotion of a linkage programme to test the credit delivery system.	1.2	Promotion of Access to Linkage and Refinance Facilities	**Access to linkage**- the key objective of the Prgramme, was originally envisaged in the framework of the government's NAPEP*** initative. After NAPEP failure, the linkage strategy was changed by introducing VSCG (Village Savings and Credit Group) and RFB (Rural Busine Plan) models. Access to refinance- was orginially envisaged to be provided through MDF (Microfinance Development Fund, later called MSMEDF) with a credit guarantee contribution by RUFIN. After it failure, new refinance scheme modalities were introduced by involving commercial banks refinancing facilities As a result, both linkage and refinance components were merged into one sub-component.
2	**Support to MFIs**			
2.1	Institution-building among Microfinance Banks (MFBs)			
2.2	Capacity-building among non-bank MFIs			
2.3	Support for NACRDB*			
2.4	Implementation support, regulation and supervision for MFBs			
3	**Framework conditions for microfinance development**	2	**Targeted Development and Strengthening Institutional Environment for**	Amended component 2 included all old sub-components related to enabling environment.
3.1	Provision of access to refinance facilities;	2.1	Improvement of the Policy, Legal and Institutional Framework for Cooperatives and RMFI	
3.2	Development of apex organizations for MFBs & MFIs and their umbrella organizations	2.2	Implementation support, regulation and supervision of MFBs	
3.3	Policy dialogue & research and documentation on microfinance.	2.3	Research and documentation of policy dialogue	
4	**Programme management, coordination, and**	3	**Programme Coordination and Managemer**	no change

* *Transformed to Bank of Agriculture-BOA.*

** *Source: Financing Agreement. Page 2.*

*** *National Poverty Eradication Programme, NAPEP stopped operating in 2013.*

Theory of Change

Goal: Improvement of income,food security and general living conditions of the poor rural households particularly women headed households, youth and the physically challenged

Purposes: (i) Develop and strengthen rural finaancial services and ehance the accessibility of poor rural people to these services so as to expand production; and (ii) improve the productivity of agriculture and micro-small rural enterprises

Outcome 1: MFIs restructured, strengthened and efficiently providing financial services to rural clients including women and the rural poor on a sustainable basis

Outcome 2: Improved policy, supervision and research leading to a conducive environment for rural financial inclusion

Output 1.1
MFIs management capacity and resource base improved

Output 1.2
Apex/umbrella organisation established, strengthened and functional

Output 1.3
VSCGs strengthened, made bankable, and linked to MFIs

Output 1.4
MFIs successfully accessing wholesale refinancing facilities

Output 2.1
Legal and institutional mechanisms functioning for cooperatives and rural MFIs

Output 2.2
Efficient supervisory system to monitor MFIs and promote rural financing

Output 2.3
Informed analysis on MF activities in the rural areas is made readily available

Component 1: Capacity Building and Technical Support to Bank and Non-Bank Microfinance Institutions

Component 2: Targeted Development and Strengthened Institutional Environment for Microfinance Development

Key Development Issue: Limited access to financial services by poor rural households, especially women-headed, youth and physically challenged, constrains their ability to engage in commercial agriculture and other income generating activities

Underlying Problems

Institutional Capacity

- Banks give low priority to servicing rural clients and have limited outreach in rural areas
- Limited capacity of grassroots financial institutions (savings and credit groups etc.)
- RMFIs have limited understanding of agriculture and rural finance needs
- Limited technical and business management skills in agricultural and rural non-farm enterprises
- Weak linkages between informal and formal financial institutions in rural areas
- Lack of computerised accounting and management information systems in RMFIs

Enabling Environment

- Lack of financial products suitable for smallholder farmers and rural entrepreneurs
- Absence of a clear policy, legal and institutional framework
- Lack of a regulatory and supervisory framework for RMFIs
- Lack of liquidity in RMFIs due to limited access to re-financing facilities
- Subsidised and un-sustainable credit schemes crowd out RMFIs
- Absence of umbrella/apex organisations to represent RMFIs

Abbreviations and Acronyms

ANMFIN	Association of Non-Bank Financial Institutions of Nigeria
BoA	Bank of Agriculture
CBN	Central Bank of Nigeria
CPE	Country Programme Evaluation
CPMU	Central RUFIN Coordination Unit
DFD	Development finance Department (of CBN)
FDC	Federal Department of Cooperatives
FMARD	Federal Ministry of Agriculture
LGA	Local Government Area
MFB	Microfinance Bank
MFI	Microfinance Institution
MSMEDF	Micro and Small Enterprise Development Fund
MTR	Mid Term Review
NAMB	National Association of Microfinance Banks
PCR	Project Completion Report
PCRV	Project Completion Report Validation
PMD	Programme Management Department
RBP	Rural Business Plan
RMFI	Rural Microfinance Institution
ROCC	Rural Outreach Coordinating Committee
RUFIN	Rural Finance Institution Building Programme
VSCG	Village Savings and Credit Group

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