Independent Office of Evaluation

IFAD
Investing in rural people

Project Completion Report Validation

Rural Finance and Community Improvement Programme
Republic of Sierra Leone
Date of validation by IOE: January 2018

I. Basic project data

			Approval (US$ m) (incl. additional financing)		*Actual (US$ m)*	
Region	West and Central Africa	Total project costs	13.056		12.774	
Country	Sierra Leone	IFAD loan & percentage of total	1.075	8.2%	0.914	7.2%
Loan number	L-I-873-A	IFAD grant & percentage of total	10.958	83.9%	10.152	79.5%
Grant number	G-I-DSF 8001 G-I-DSF-8001A	Borrower (Government)	0.509	3.9%	0.391	3.1%
Type of project (subsector)		Cofinancier 1				
Financing type		Beneficiaries	0.514	3.9%	1.316	10.3%
Financing terms	DSF grants (red & yellow)* HC Loan**	Other sources	-			
Date of approval	18/04/2007 (100% DSF) 03/04/2012 (50% DSF)					
Date of loan signature	25/06/2007 13/06/2012	Number of beneficiaries (if appropriate, specify if direct or indirect)	N.A		97,747	
Date of effectiveness	30/05/2008 02/08/2012					
Loan amendments						
Loan closure extensions		Loan closing date	30/12/2014			
Country programme managers	Mohamed Tounessi (2007) Hubert Boirard (2012) Ndaya Beltchika	Mid-term review			2012	
Regional director(s)	Mohamed Beavogui Ides de Willebois	IFAD grant disbursement at project completion (%)			100%	
Project completion report reviewer	Prashanth Kotturi	IFAD supplementary grant disbursement at project completion (%)			85%	
Project completion report validation quality control panel	Michael Carbon Chitra Deshpande	Date of the project completion report			July 2015	

Source: Project Appraisal Report 2010; Project Completion Report 2016.

*) Debt sustainability framework grants are provided to countries based on debt sustainability assessment carried out by IMF. Countries classified as red get 100% of approved financing as non-reimbursable grant. Countries classified as yellow get 50% of the approved financing as Highly Concessional loan and 50% of the financing on grant basis.

**) This was a loan on highly concessional terms, free of interest but bearing a service charge of three fourths of one per cent (0.75%) per annum and having a maturity period of 40 years, including a grace period of 10 years.

II. Project outline

1. **Introduction.** The Rural Finance and Community Improvement Programme (RFCIP) was approved by IFAD's Executive Board on 18 April 2007. The programme was financed through a 100 per cent Debt Sustainability Framework (DSF) grant from IFAD.[1] IFAD also approved supplementary financing in April 2012 to provide additional funding for activities such as refinancing facilities. The project became effective in May 2008. The project closed in December 2014, amid a raging Ebola Virus epidemic and the PCR was released in 2015 with a revised version released in 2016 after conducting a mission in Sierra Leone.

2. **Project area.** Initially the project was to work in the four districts of Kenema, Kono, Kailahun and Koinadugu. However, as the project progressed the districts of Bo, Moyamba and Port Loko were added to the target area.

3. **Project goal, objectives and components.** The overall goal of the Rural Finance and Community Improvement Programme (RFCIP) was to reduce rural poverty and household food insecurity on a sustainable basis, through the specific programme objective of empowering communities, including women and the poor, to participate in and benefit from community-based planning and implementation and developing institutional capacity to support them in their endeavours. This broad objective and orientation placed more emphasis on community development than on the development of Financial Institutions to enhance economic well-being. However, the programme's design evolved to predominantly include rural finance. In the MTR and PCR, the objective was not revised to reflect the new orientation of the programme with a focus on rural finance. However, the PCR, on page 72 states that the "primary objective of RFCIP is to increase access to financial services by ensuring participation and ownership of the rural communities through strengthening the capacity of the finance service providers in rural areas". As confirmed by the country programme team such change was to reflect the takeover of the community development component's activities (stated below) by the Rehabilitation and Community-based Poverty Reduction Project (RCPRP). No official document exists to reflect the change in objectives.[2]

4. The Project consisted of three Components. Each component is briefly described below. **Component 1: Access to Rural Financial Services, with three sub-components:** (i) Creation of Grassroots Financial Services Associations (FSAs); (ii) Support to Community Banks (CBs); (iii) Support for a Favourable Environment for Rural Finance. **Sub-component 1** was geared at the creation of 30 Financial Services Associations (FSAs) in four districts. FSAs were conceived as shareholding financial enterprises through which entire rural communities would access a range of financial services. **Sub-component 1.2** envisaged the creation of 7 new community banks and the rehabilitation of the 4 existing community banks which were created and supported by Bank of Sierra Leone (BoSL).

5. Under **sub-component 1.3**, three main activities were to be carried out: (1) assistance to the Bank of Sierra Leone (BoSL) for elaborating and updating an appropriate regulatory and supervisory system for the community banks and Financial Services Associations (FSAs) by: (a) enforcing Banking Laws; (b) clarifying the regulatory and supervisory framework of CBs; (c) elaborating prudential regulations for CBs and MFI; (d) elaborating supervisory reporting

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[1] DSF grants are provided to countries with low level of debt sustainability, as ascertained by the annual debt sustainability assessments carried out by IMF.

[2] The Community Development of RFCIP was for Koinadugu District. An amendment in 2009 included the three other districts into project. With inclusion of the three districts the Community Development Component allocation was used in the four districts, which was meant for only one. When RCPRP was approved additional community development activities were taken up by that project alone. Paragraphs 3, 9, 17, 19, 130 and 172 of the RCPRP design documents of 2010 indicate the reasons and linkages of the RFCIP and RCPRP and the reason for the inclusion of the Community Development, roads etc. of RFCIP into RCPRP.

tailored to the specificities of CBs and MFI; and (e) monitoring and analysing those reporting; (2) the establishment of a refinance facility for CBs and FSAs; and (3) assistance to the creation of an apex body of the CBs and FSAs.

6. **Component 2: Support to Community Development, with three sub-components:** (i) Capacity-Building of Communities; (ii) Community Development Fund; (iii) Communication and information. **Sub-component 2.1** included three sets of complementary activities: Functional literacy and training; support for youth; and strengthening of community development process. Under **sub-component 2.2 Community Development Fund (CDF)**, a number of initiatives were to be funded: (1) seeds, tools and implements for farmers; (2) community sub-projects (such as economic infrastructure) identified in the Ward Development Plans; and (3) Income Generating Activities in local communities to add value to its production.

7. Under **sub-component 2.3: Communication and Information** was mainly geared at HIV/AIDS sensitization campaigns and nutrition improvement campaigns, both to be implemented by local SPs and the Institute of Agricultural Research. Over the course of implementation, it became increasingly apparent that component 2 was more like an independent project rather than a second pillar of the predominant rural finance activities. Most capacity building activities under the community development component were then transferred to the complementary IFAD-funded Rehabilitation and Community-based Poverty Reduction Project (RCPRP) project. The RFCIP only retained the construction of small infrastructures (ward offices) and expanded that activity in the districts covered by the RCPRP. Hence, the RFCIP retained predominant focus on rural finance.

8. **Component 3: Programme Management.** The component was to ensure effective and timely project implementation. In Sierra Leone, there is a Joint Programme Portfolio Coordination Unit (JPPCU) under the Ministry of Agriculture, Forestry and Food Security (MAFFS) which implements AfDB and IFAD supported projects. RFCIP would provide additional staff, transportation, logistical support, supplies and operating expenses to this unit, on a cost-sharing basis with other projects viz. AfDB financed Agricultural Sector Rehabilitation Project (ASREP) and IFAD-funded RCPRP. The additional staff to be financed by RFCIP was to include a Rural Finance Officer, a Community Development and Gender Officer, an Agricultural Development Officer, an assistant M&E Officer, an accountant and a Procurement Officer.

9. However, implementation responsibilities changed in the course of the project. A National Programme Coordination Unit (NPCU) was formed in 2010 to manage all ongoing IFAD projects in the country (RCPRP and RFCIP). The Joint Programme Portfolio Coordination Unit was said to be ineffective as the collaboration with AfDB did not materialize. Responsibility for implementing the access to rural financial services component then rested primarily with the Technical Assistance Agency (TAA), formed in June 2010 as an implementing arm of the NPCU and in 2011 transformed as an intermediary body before the constitution of an Apex body to provide services and supervise FSAs and CBs.

10. **Target group.** The Programme aimed at serving the economically active rural poor, particularly women and the youth. The primary target groups were: (1) smallholder farming households, including female-headed households; (2) micro and small-scale entrepreneurs, including women; and (3) youth[3], including ex-combatants and sexually-abused young women/single mothers. The programme was thus geared at pursuing area and social targeting. Area targeting to select the neediest districts with a good economic potential, and social selection criteria as regards the people to be served and assisted within these geographically-determined areas. While the microfinance activities had a focus on

[3] In Sierra Leone, youth is considered to be in the 15-35 age range.

the rural poor, FSAs and CBs were to serve the entire community, not the poor exclusively.

11. **Financing.** Total project costs were originally estimated at US$13.056 million and revised to US$12.411 million due to a lack of contribution from Government (see Table 1 below). Actual disbursements amounted to US$12.774 million or 102.9 per cent of the revised projections. Of these, the IFAD grant has disbursed at 100 per cent, and the IFAD supplementary financing at 85 per cent each. The cash contributions of the GOSL were 49 per cent of projections, total contributions in cash and in kind of the GOSL were calculated at US$3.91 million, or 77 per cent of projections.

Table 1
Project financing (US$ '000) by financing instrument

Financier	*Appraisal (US$ '000)*	*Revised (US$ '000)*	*Disbursements (US$ '000)*	*% Disbursed*
IFAD Grant	9,883	9,238	9,238	100.0%
IFAD Supplementary Grant	1,075	1,075	914	85.0%
IFAD Supplementary Loan	1,075	1,075	914	85.0%
Government Contribution Cash	509	509	250.90	49.3%
Government Contribution In-Kind	0	0	140.37	
Beneficiaries	514	514	1,316.90	256.2%
Total	13,056	12,411	12,774.17	102.9%

Source: Project Completion Report (PCR)

Table 2
Project financing (US$ '000, by component)

Component	*Appraisal (US$ '000)*	*Revised (US$ '000)*	*Disbursements (US$ '000)*	*% Disbursed*
Access to rural financial services	8104	7706	9584	118.3%
Support to community development	3194	3009	1154.11	36.1%
Programme management	1758	1694.9	1652.4	94%

Source: Project Completion Report (PCR)

12. **Intervention logic.** The Programme was designed during the reconstruction phase following the 11-year civil conflict which ended in 2002. At that time, it was recognized that rural financial services were an indispensable, not only for investment in agriculture, but also for the establishment of micro and small enterprises. Thereby contributing to availability of services to agriculture, rural employment and poverty reduction.

13. The programme's evolving design intended, to some extent, to build the capacity of the rural finance sector at the micro, meso and macro levels. The programme intended to form collective semi-formal institutions such as FSAs and formal institutions such as community banks. The programme also worked on building apex institutions such as Technical Assistance Agency (TAA), eventually transformed into the Apex Bank of Sierra Leone, for such institutions. In light of the capital deficient nature of the financial sector, the programme also infused some capital through a refinancing facility for the established and strengthened financial institutions, with majority of the financing infused through deposits and shares held by members. The programme also intended to strengthen the regulatory environment of the financial sector in Sierra Leone.

14. The rural populations in Sierra Leone were to use the increased availability of financial services to revitalize economic activity in the aftermath of the war, including in agriculture. However, in light of the widespread poverty in Sierra Leone at the time of design and the project's wide scope of work in the rural financial services sector, no specific targeting strategy was prescribed. The targeting of the project was incidental on the targeting of the institutions supported by the project.

15. **Delivery of outputs.** An overview of final outputs (RIMS) per component in the PCR (see Annex 3 here) shows that the targets on formation of FSAs and community banks were met or exceeded. In addition, it was found that all other outputs (even ones without targets) had significant achievements.

III. Review of findings

A. Core criteria

Relevance

16. **Relevance of objectives.** As regards **financial services**, the RFCIP was highly relevant for the economic recovery process of Sierra Leone after the civil war, and for the development of a rural financial landscape, at the time of design and remained so until completion. As outlined in the Project Design Report, objectives and activities were aligned with national strategies and policies related to agriculture, rural development, community development and financial sector. The project was to dovetail with the Poverty Reduction Strategy Paper (PRSP) of Sierra Leone. The 2003 COSOP for Sierra Leone had three specific objectives (i) community development; (ii) revitalization of the rural financial market; and (iii) crop diversification, income generation and small-scale rural enterprise development. The original objective of the project to 'reduce rural poverty and household food insecurity on a sustainable basis, through the specific programme objective of empowering communities, including women and the poor, to participate in and benefit from community-based planning and implementation and developing institutional capacity to support them in their endeavours' remained in line with the first objective of the COSOP.

17. However, as this PCRV notes under the previous section (e.g. paragraph 3), due to the change in design of RFCIP under which rural finance became the focus, the objective was changed (though not officially) as "increasing access to financial services by ensuring participation and ownership of the rural communities through strengthening the capacity of the finance service providers in rural areas." This revised objective remained in line with objective 2 of the COSOP.

18. **Relevance of design.** The project's initial, original design was to address all rural finance and community development challenges in one single programme with an ambitious agenda. The first component, dedicated to rural finance, included 4 sub-components and was to be implemented in four districts. The second component was dedicated to community development, including community capacity building, working with local institutions and financing of community initiatives, to some extent, and was to be implemented in only one district However, during implementation it was realized that such a design was overly ambitious and the project lacked resources and capacity to implement both. Thus, the majority of the activities under component 2 were later transferred to another IFAD project (RCPRP). This appears to have been a sound decision, as it allowed the project to make substantial progress on rural finance activities.

19. **Targeting.** The programme's targeting strategy did not specify any particular income or socio-economic criteria. The targeting was based on geographic areas targeted and the institutions serving in such areas. This was acceptable given the programme's intervention logic was to contribute to the reconstruction of the rural economy at large by enabling access to finance. Given the programme sought to form community-based semi-formal institutions and formal institutions such as

FSAs and community banks respectively, there was an imperative to take districts and wards as the unit of targeting. This approach is found to be relevant, in the post-conflict reconstruction context in which RFCIP activities were undertaken and given the complexity and cost of doing otherwise. However, to make the targeting inclusive, RFCIP, inter alia, could have worked simultaneously on the demand side, i.e. work directly with the target population of interest such as women and ex-combatants, to mobilize social capital and enable better access to financial services for this population.

20. **Programme management.** The initial design of the project foresaw a harmonized programme management structure with two other ongoing projects implemented by AfDB (Agricultural Sector Rehabilitation Project) and IFAD (Rehabilitation and Community-based Poverty Reduction Project) respectively. As the design evolved, the programme management shifted to a dedicated National Programme Coordination Unit (NPCU) for IFAD projects in Sierra Leone. The TAA was initially formed to provide support the rural financial institutions, and was later envisaged to become an apex body for the community banks and FSAs in Sierra Leone. The TAA was a unit housed in the Bank of Sierra Leone and was provided the mandate by the BoSL to provide capacity building and oversight services to the community banks and FSAs. This was a significant, opportunistic policy-level effort to ensure coverage of the micro and meso levels and to ensure sustainability of supported institutions. The TAA transformed into the Apex bank of Sierra Leone, but when the PCR was prepared, a sustainable operating and revenue model was still not in place.

21. A six-year time-span (as envisaged at design) to build a rural finance sector almost from scratch was found to be ambitious and insufficient to consolidate such efforts. Building grassroots financial institutions, regulatory and apex bodies and providing policy support typically requires a longer-term engagement. It should be noted that IFAD approved a second phase to RFCIP to consolidate the efforts of the first phase.

22. **In summary**, the programme's objectives were in line with the IFAD COSOP as well as national policies. The rationale for the initially dispersed design was unclear and the programme was redesigned to sharpen the focus of RFCIP. RFCIP's targeting was found to be focused on institutions serving rural areas rather than individual households themselves. This might be a suitable targeting strategy in light of the context in which the project commenced operations and the gradual approach required to build the rural sector in general and rural finance sector in particular. The programme management structure included the TAA which built in-country capacity for oversight and supervision of the target institutions. The programme's planned implementation duration of six years is found to be ambitious for the context in which it operated. That being said, IFAD has taken a programmatic view of the rural finance sector through the phase II of RFCIP, intending to build up on the institutions supported in phase I. In light of the analysis above the PCRV concurs with the PCR rating and rates the relevance of the programme as **satisfactory (5).**

Effectiveness

23. RFCIP had a stated objective of increasing access to financial services by ensuring participation and ownership of the rural communities through strengthening the capacity of the financial service providers in rural areas. To that end, the PCRV will assess the achievement of the programme objective through the aspects outlined below. The assessment might delve into output, outcome and impact level data, as available in the project documents.

24. **Strengthening capacity of financial service providers and related institutions**. The Technical Assistance Agency (TAA) had been established as an agency providing comprehensive support to community banks and Financial

Service Associations. The Apex Bank of Sierra Leone (TAA's successor) was envisaged to play a role of the apex institution. The ABSL provides the example of a meso level institution that provides local oversight and capacity building of grassroots institutions.

25. The programme supported in total 13 community banks (restructuring of 6 existing community banks and creation of 7 new CBs) and 36 Financial Service Associations (FSAs). The programme established two refinancing facilities to enable the financial institutions to raise resources for on-lending. As covered under sustainability, the FSAs and community banks were able to cover most of their costs, but their performance had yet to stabilize. This was especially true when the institutions were scaling up their operations. The country programme manager indicates that the capacity building efforts under RFCIP II built on the work of RFCIP to stabilize and enhance the capacity of the target community banks and FSAs.

26. **Enhancing access to financial services**. The CBs and FSAs are owned mostly by members of rural communities as shareholders and as participants for depositing surplus funds and accessing such funds as capital for business ventures and transaction purposes. By the end of 2013, the CBs mobilized 43,659 active savers and generated SLL 9.63 billion (≈ US$2.25 million) deposits; at the end of 2014, the CBs had 49,062 active savers with 52.5 per cent of them being female.

27. By the end of 2013, the 36 FSAs of RFCIP reportedly mobilized, from remote communities, 53,112 shareholders with share capital worth of SLL 4.74 billion (≈ US$1.11 million). This number increased to 61,585 shareholders by the end of 2014. The FSAs established by RFCIP had 48,682 shareholders, exceeding the 40,000 direct beneficiaries' target by programme intervention, but fell below the 2013 figure due to instruction by the Apex Bank to scale down activities during the peak of the Ebola Virus Disease (EVD) crisis. As shown in table 3 below, which presents a sample of loans taken from FSAs, loans appear to have been largely used for economic and investment purposes.

28. The outreach of the programme was limited by the policy constraints on capital by financial institutions in Sierra Leone. Especially FSAs can only raise equity capital from their shareholders and cannot take deposits. This has limited the outreach of FSAs in terms of the amount that could be lent and the number of borrowers that could be reached. Community banks do not face such constraints on deposit taking. Programme efforts were insufficient at the policy level to shape the regulatory and policy environment to address such constraints. At the time of writing this PCRV the efforts to enable FSAs to take deposits were underway. Such efforts commenced with requests made under RFCIP.

Table 3
Purpose of loans taken from FSAs (sample)

	Number of clients	Total amount (SLL' 000s)	Average amount (SLL'000s)	% of clients	% of total amount
Petty trading	124	755.3	6.1	78.5	66.2
Farming	29	369.4	12.7	18.4	32.4
School fees	1	0.1	0.1	0.6	0.0
Construction	4	16.7	4.2	2.5	1.5
	158	1,141.5			

Source: PCR

29. According to the PCR, interest rates varied among the Financial Institutions. However, due to their freedom to determine interest rates, comparatively, the FSAs had been charging higher nominal interest rates on several facilities of more than 20 per cent. These levels of interest rates were intended to permit a short

breakeven period and rapid profitability to enable the FSAs to pay dividends. As per the survey conducted in the process of PCR preparation, 89 per cent of the respondents revealed that they had easy access to credit.

30. In summary, the programme reached over 97,747 people in the target districts. The target institutions disbursed credit for a variety of purposes including for productive and consumption purposes. The regulatory environment was found to restrict the scale of operations of the institutions. Financial institutions were yet to stabilize at the time of closing of the programme, as covered under the assessment of sustainability. That being said, RFCIP II is said to be building on the work of RFCIP to provide capacity to target institutions. The programme's limited duration and ambitious targets along with the onset of the Ebola Virus outbreak did not allow for consolidation of the achievements. At the meso level the TAA was found to be a good example of in-country institutional capacity building. In light of the analysis above, PCRV concurs with the rating of the PCR and rates the effectiveness of the RFCIP as **moderately satisfactory (4).**

Efficiency

31. **Project cost and disbursement.** Total project costs were originally estimated at US$13.056 million and revised to US$12.411 million. Actual disbursements amounted to US$12.774 million or 102.9 per cent of the revised projections (presumably due to exchange rate fluctuations). Of these, the IFAD grant has been disbursed at 100 per cent, and the IFAD supplementary loan and grant at 85 per cent each. Such disbursement is found to be satisfactory in light of the disruption caused by the Ebola outbreak. The actual programme management costs (amount disbursed) were about US$1.65 million, 13.3 per cent of total costs, slightly lower than the US$1.7 million budgeted at appraisal. Continuing on that note, two IFAD projects operational in the country were handled by a single National Programme Coordination Unit.

32. **Economic and financial dimensions.** The economic analysis of the RFCIP was conducted using a cost-benefit analysis covering a 20-year period. Past values of both project costs and benefits are deflated using the GDP deflator. Projected benefits and costs were calculated based on 2014 values. The costs have been provided by the financial unit of the project based on the actual disbursements per year of IFAD financing. The estimated net present value of the Project is US$8.9 million with an internal economic rate of return of 27 per cent. At appraisal stage, no projection of the net present value or the internal rate of return had been made. It can be said that the IRR is relatively good in spite of the disruptions created due to Ebola.[4]

33. **Cost per beneficiary.** The total costs of the programme were US$12.7 million and the total outreach of 97,747 persons at completion point. The total cost per beneficiary amounts to US$130, which is relatively low in general, but not especially for a rural finance project. As mentioned above the internal rate of return was found to be good.

34. In light of the narrative above, the PCRV concurs with the PCR's assessment and rates efficiency of RFCIP as **moderately satisfactory (4)**.

Rural poverty impact

35. The assessment on this section is hindered by a lack of outcome and impact level data. This PCRV recognizes that the programme's main focus throughout its implementation was on building rural financial institutions and that targeting beneficiaries was incidental to its work with such institutions. Hence, the programme did not systematically monitor the usage of financial services by the

[4] The PCRV takes the IRR data with caution, considering that this analysis was done during Ebola virus breakout and hence the sample for calculation of costs-benefit analysis and IRR was potentially not representative of the project clientele.

beneficiaries and its impact. The PCR conducted an impact survey at completion. However, the scope of the survey and the PCR preparation process was said to be impeded by the outbreak and prevalence of Ebola.

36. **Household income and asset.** The table 4 below contains the profile of sample of borrowers who took loans. Petty trading dominates the profile of clients who availed of loans.

37. The clients who deployed the loans for business purposes also seem to have done so profitably. Table 4 shows that up to 79 per cent of enterprises borrowing from financial institutions have nearly doubled or tripled their sales. Under 5 per cent of the groups and individuals who availed of loans reported to be making fewer sales than before taking the loans.

Table 4
Sales after compared with sales without CB/FSA Loan

RFCP Client	Much less	A bit less	About the same	About twice as much	About 3 times and more	*Total*
Individual	0	1	14	18	2	35
Group	4	1	11	88	13	117
Enterprise/Firm	1	0	1	2	2	6
Total	5	2	26	108	17	158
In % of total	3	1	16	68	11	100

Source: PCR

38. In terms of the actual monthly profit, table 5 presents the distribution of profits among sample beneficiaries. It can be observed that over 75 per cent of all clients fall into the profitability category of 401 thousand SLL and above. The impact survey states that this figure was over 47 per cent before the project started.

Table 5
Profit margin after CB/FSA Loan*

Client	*Loss*	*0 to 100K*	*101K to 200K*	*201K to 400K*	*401K to 600K*	*601K to 700K*	*701K and Above*	*Frequency*
Individual	0.0%	2.9%	5.7%	20.0%	25.7%	14.3%	31.4%	35
Group	0.8%	0.0%	8.4%	10.7%	22.3%	31.4%	26.4%	121
Enterprise/Firm	0.0%	0.0%	0.0%	0.0%	40.0%	20.0%	40.0%	5
								161

Source: PCR
The UN USD to SLL (Sierra Leone Leone) exchange rate for October 2017 stood at1 US$ = 7350 SLL

39. The impact survey also noted the assets that were acquired by the beneficiaries since the beginning of the project. In table 6, the PCRV notes the assets acquired by the surveyed beneficiaries and the magnitude attributable to the loan proceeds of the project. It can be seen that most of the assets used for business purposes such as mobiles, motor vehicles, livestock had been purchased using the loan or the resulting profits.

Table 6
Asset ownership among target beneficiaries

	Frequency			Attributable to the loan or its proceeds (in %)	
Asset	**Yes**	**No**	**Total**	**Yes**	**No**
Mobile phone	262	152	414	63.3	36.7
Land and building	110	120	230	47.8	52.2
Farm equipment	72	69	141	51.1	48.9
Livestock	56	57	113	49.6	50.4
Motor cycle	50	33	83	60.2	39.8
Tree crops	31	55	86	36	64
TV and/or video	30	49	79	38	62
Motor vehicle	8	4	12	66.7	33.3

Source: PCR

40. **Human and social capital and empowerment.** The programme built the rural finance sector of Sierra Leone. To that end, the programme had an implicit empowerment objective in that it attempted to provide access to affordable financial services in Sierra Leone. The PCR reports that at the end of the project 97,747 people had benefitted from improved financial services of the financial institutions created by the programme.

41. The programme's second component built up 100 ward offices in the four target districts. The ward offices were to serve an important part in the decentralization effort in Sierra Leone, including participatory formulation of ward development plans. The actual community capacity building, planning and financing of community practices was undertaken by the RCPRP, implemented by the same NPCU.

42. **Food security and agricultural productivity.** Given the nature of activities of the project, it is difficult to assess the impact on food security and agricultural productivity. When setting out the objectives of the programme, smallholder farmers, alongside micro and small enterprises, are identified as the main beneficiaries. However, as the PCR observes, the lending terms and duration (short repayment period) of the loans extended by the financial institutions were unsuitable for agriculture. In that regard, the impact survey noted that only about 21 per cent of the respondents had taken loans for farming, with most of the financing going towards petty trading.

43. **Institutions and policies.** RFCIP worked extensively at the micro and meso levels in the rural finance sector in Sierra Leone. At the **micro level**, the programme had built 36 FSAs as community-owned and -operated entities to deliver financial services to its members. In addition, the programme created seven community banks and rebuilt the capacity of six other pre-existing community banks in the country. The programme supported the target FSAs with capacity building, staffing, operational support and refinancing facility, thus encompassing continuous support across the spectrum of their operations.

44. At the **meso level,** the programme supported a dedicated institution called Technical Assistance Agency (TAA) for supervision, capacity building and backstopping efforts of the FSAs and community banks. The FSAs and community banks were asked to pay for the services of the TAA[5] with the idea that it would

[5] After the closure of the project it was decided that the newly formed Apex Bank of Sierra Leone (ABSL) will take over such apex functions.

eventually be converted into an apex institution for FSAs and community banks. This is a key element of local institutional capacity building to manage the development of the local financial sector through building and harnessing local capacities.

45. At the **macro** level, the PCR states that RFCIP support included provision of fixed assets in the form of equipment and vehicles to enhance supervisory functions of Bank of Sierra Leone. In deliberations with the country programme manager the TAA's role as an apex institution was stated to have strengthened after Apex Bank of Sierra Leone (ABSL) was formed based on the structures and institutions already established for TAA. However, the programme's focus remained predominantly at the micro and meso level and did not work much at the policy/sectoral level. This is especially important in light of the policy restrictions, mentioned earlier, which limit the scope of growth for the financial institutions.

46. In summary, the available data points to increased incomes for the groups and enterprises which took loans from financial institutions. The programme also enhanced access to finance among sections of the rural population. The project's impact on household food security could be said to be indirect, in that increased incomes could have led to increased food security. However, the project documents have noted that the lending products offered by financial institutions are not suitable for agriculture and were mostly used for petty trading. The programme's focus remained largely on building institutions at the micro level but did not necessarily focus on sectoral level issues. In light of the analysis above, this PCRV concurs with the assessment of the PCR and rates RFCIP as **moderately satisfactory (4)** on rural poverty impact.

Sustainability of benefits

47. RFCIP worked extensively on creating and strengthening rural financial institutions. The financial institutions created by the programme were found to be slowly turning profitable, albeit still receiving support from TAA as of the time of closing of RFCIP (profitability indicators elaborated in the next paragraph). During implementation, TAA was expected to continue supporting the financial institutions, which is a valid exit strategy. However, the PCR indicates that a new institution, Apex Bank of Sierra Leone (ABSL) will take over the apex functions from TAA. The PCR has expressed reservations on the operating model of ABSL pointing to the lack of a sustainable revenue source, apart from IFAD projects.

48. The PCR undertook a survey of a sample of FSAs and community banks over the period of implementation of the project. The financial indicators of FSAs and community banks are given in table 7 and 8 below respectively. Annex IV presents definitions and a brief explanation of the meaning of the indicators in the tables below.

Table 7
Financial indicators for FSA

	2010 (in %)	2011 (in %)	2012 (in %)	2013 (in %)	30 June 2014(in %)
Return on Equity (ROE)	19.9	43.2	56.8	5.1	7.2
Return on Asset (ROA)	3.1	12.1	10.9	0.5	6.5
Net Operating Profit Margin (NOPM)	50.9	61.0	51.3	2.3	38.1
Operating Self Sufficiency (OSS)	94	166	114	45	189
Portfolio at Risk (at 30 days)	3.0	6.0	12.0	14.0	13.7
Risk Coverage Ratio	0.0	3.0	36.0	63.0	4.4
Yield on Gross Loan Portfolio	9	16	21	17	19

Source: PCR

Table 8
Financial indicators for community banks

Ratio	2010	2011	2012	2013	30-Jun-14
Return on Capital Employed (ROCE)	-8.5	5.2	13.2	15.6	27.5
Return on Asset (ROA)	-8.5	4.9	12.5	14.3	5.7
Net Operating Profit Margin (NOPM)	-79.1	26.1	31.8	35.5	54.5
Operational Self-Sufficiency (OSS) in %	49	79	130	201	188
Capital Adequacy Ratio (CAR)[6] in %	0.3	4.4	4.0	4.6	0.4
Portfolio at Risk	7.5	5.3	8.2	9.7	12.0
Risk Coverage Ratio	72.3	15.9	8.6	22.0	11.0
Yield on Gross Loan Portfolio	16.0	11.0	22.0	25.0	37.8

Source: PCR

49. From the above tables it can be noted that the return on capital employed was variable among FSAs but grew steadily among community banks. Return on assets has also been found to be variable. Operational self-sufficiency ratio has been found to be around or over 100 per cent in the later parts of the project implementation and has improved over a period of time. Portfolio at risk has witnessed a continuous increase in the years of implementation in both FSAs and community banks. The PCR has attributed this to the rapid increase in lending from 2013 onwards. In interviews, weak capacity of local staff has also been stated as one of the reasons for the declining performance of the FSAs and CBs. With some concern, the PCRV notes that while the portfolio at risk has increased the risk coverage ratio has fallen. It appears that the financial institutions will need more time to stabilize and their performance is still variable. In that regard, it should be noted that RFCIP Phase II is expected to consolidate the gains made under RFCIP (in addition to scaling up the programme over all 12 districts in Sierra Leone).

50. In summary, the programme's target institutions have been able to grow profitably over the period of implementation. However, their performance appears to have deteriorated, especially portfolio at risk, when their lending went up, which reinforces the need for a well-resourced apex institution. In light of the restriction on deposit taking in financial institutions, any increase in portfolio at risk would imply erosion in equity which will reduce their ability to lend. However, IFAD has financed RFCIP II in Sierra Leone to consolidate and build on the achievements under RFCIP. In light of the narrative above, this PCRV concurs with the PCR's rating on sustainability and rates it as **moderately satisfactory (4).**

B. Other performance criteria

Innovation

51. The business models of FSAs as financial intermediaries in their respective areas was new to the Sierra Leone context, and was an example taken from similar interventions in Kenya. Community banks existed in Sierra Leone before RFCIP. However, before the project, the community banks existed on a standalone basis. The RFCIP attempted to bring all the institutions under the umbrella of TAA. This does not necessarily mean that the institutions will be able to operate as part of the same network at this point in time.

52. TAA as a separate, for-profit institution was initially vested with all aspects of promotion, and its envisaged role as an apex institution supporting the FSAs and CBs was an innovation in the Sierra Leone context borrowed from a similar

[6] A risk weight of 1 was given to loan disbursed/outstanding portfolio; and as the CBs never paid dividend, operating revenue over the years were treated as retained earnings for computation of the tier 1 capital.

experience in Ghana. Even though this model worked well in Sierra Leone at programme closing, the Government intends to hand over the apex responsibilities to a new institution (ABSL).

53. In light of the above, this PCRV concurs with the rating of the PCR and rates RFCIP's performance on innovation as **satisfactory (5)**.

Scaling up

54. Scaling up at IFAD implies using non-IFAD resources to scale up successful IFAD interventions and results. However, due to the numerous capacity constraints in Sierra Leone the RFCIP interventions witnessed replication of RFCIP activities with IFAD funding rather than scaling up with funding from government and/or other donors. IFAD worked in seven districts as part of the RFCIP. IFAD has now financed replication of the approach across all twelve districts in Sierra Leone through its RFCIP II initiative. The RFCIP II is expected to consolidate the results of RFCIP. The expected contribution from the government for RFCIP II is stated to be about US$4.5 million, as compared to the US$0.5 million (of which only 40 per cent materialized) for RFCIP. The programme was co-financed with funding of US$0.5 million from Smallholder Commercialization Programme under the Global Agriculture and Food Security Programme. Such funding was used to finance 19 FSAs and 4 Community Banks.

55. The PCR indicates that the Central Bank of Liberia (CBL) has shown interest in the RFCIP model, and asked IFAD to assist in the design of a new project that would replicate the basic features of the Sierra Leonean experience. This request was made upon study visits of representatives from the CBL and the Ministry of Agriculture to the FSAs, CBs and the Apex Bank in Sierra Leone. The PCR is, presumably, referring to the Rural Community Finance Project, approved in December 2015. This could potentially be considered as an example of a replication of innovative approaches within the region.

56. In summary, RFCIP II does not strictly qualify as scaling up as it is largely financed by IFAD. However, given the heavy fiscal constraints within Sierra Leone and IFAD's programmatic view taken by IFAD this PCRV rates RFCIP's performance on scaling up as **moderately satisfactory (4).** This is one point below PMD's rating of satisfactory (5).

Gender equality and women's empowerment

57. The impact survey noted that the bulk of the loans to groups (78 per cent of the groups) were for 'petty trading'. As per the PCR's assertion, petty trading is an activity with substantial participation of women. The lending terms and short tenure of the loans meant that the loans were well suited for trading activities, said to be carried out by women. On that note, the impact survey noted that in the sampled institutions 49 per cent of all loans in FSAs and 46 per cent of all loans in community banks were provided to women. A similar proportion of women were also shareholders in the two respective institutions. Apart from the above no other data or information is available to provide an assessment on gender. There was no explicit gender strategy elucidated in the programme documents.

58. As part of the component 2, large parts of the activities of which were taken over by Rehabilitation and Community-based Poverty Reduction Project (RCPRP), RFCIP undertook numerous activities. 500 women were trained in income generating activities (small ruminants and poultry, food preservation and storage and off-farm income generating activities). 100 ward committee offices were constructed to allow committee members to discuss and plan development projects. 1,000 ward committee members (40 per cent women) were trained on various topics (Participatory Rural Appraisal, roles and responsibilities, preparation of ward development plans and monitoring and evaluation).

59. 880 women out of 2,200 people also benefitted from the Inventory Credit Scheme, the community development fund established in the piloted community banks also serve as some form of capitalization for those banks and as a result there has been some marginal increase in the loan portfolio of such banks.

60. Based on the rather limited information available and based predominantly on the participation levels of women, this PCRV rates performance on gender equality and women's empowerment as **moderately satisfactory (4)**, one point below the PCR rating.

Environment and natural resources management

61. In light of the nature of the activities envisaged under the project, it would be difficult to attribute any positive or negative effects of the project on the environment. The programme documents do not provide any information that could be used to assess this criterion. Hence, this criterion is not rated by the PCRV, even though the PCR rates it as moderately satisfactory.

Adaptation to climate change

62. In light of the nature of the activities envisaged under the project, it would be difficult to attribute any positive or negative effects of the project on adaptation to climate change. There is no information in programme documents to objectively assess this criterion. Hence, while noting that the PCR has provided a rating of moderately unsatisfactory, this PCRV does not rate adaptation to climate change.

C. Overall project achievement

63. Overall, the project was set in the context of an underdeveloped rural finance sector and a post-civil war scenario. The initial design was meant to work on community-development initiatives (in the context of evolving decentralization) and rural finance. However, the programme design was adjusted to sharpen focus on rural finance. The project has been successful in building rural, semi-formal and formal financial institutions which have enhanced the access to finance in Sierra Leone. Through such institutions the project has reached about 97,747 individuals for purposes ranging from consumption, to petty trade and agriculture to a lesser degree, with focus on short-term lending. However, the PCRV notes that such institutions lent to the public at large and not the specific target groups envisaged by RFCIP at design. This PCRV is cognizant that such lack of targeting might be a potential trade-off for IFAD if it wants to work at the sectoral level in a post-conflict country (with small geographic area).

64. The outreach and scalability of financial institutions and their sustainability, while reasonable, will need further consolidation. The policy environment in Sierra Leone remains restrictive on the ability of such institutions (especially FSAs) to scale up and mobilize additional funding through deposits. Apart from the policy environment, the relatively short duration did not allow for IFAD to create an integrated network of institutions at all levels (financial institutions, apex institutions, regulators). The focus largely remained on grassroots institutions and the project's work at the policy level is unclear. That said, building the rural finance sector in the backdrop of a post conflict situation such as Sierra Leone will need longer term engagement, as covered under relevance. At the time of writing this PCRV, IFAD was implementing a phase II of the RFCIP. To that end, the overall achievements of RFCIP may be considered transient in the evolution of rural finance sector in Sierra Leone.

65. In light of the narrative above, the PCR concurs with the rating of the PCR and rates the overall project achievement as **moderately satisfactory (4)**.

D. Performance of partners

66. **IFAD.** IFAD designed the project in the aftermath of a civil war. The project's initial design intended to rebuild the economic and social base in Sierra Leone. IFAD adapted the design as the project progressed based on the evolving context and priorities of the government. IFAD worked within the policy and contextual constraints within Sierra Leone to implement the project. As an example, IFAD enabled the setting up of multiple refinancing facilities including through supplementary financing to increase the scale of operations of FSAs and community banks, given the restrictions on their ability to raise capital and collect deposits (for FSAs). IFAD has also taken a temporally programmatic view of the projects in Sierra Leone, especially on rural finance, where RFCIP and RFCIP II are implemented sequentially to build on the work of the other. The RFCIP and RCPRP were being implemented by a single National Programme Coordination Unit and were to complement each other's activities.

67. That said, the programme's focus throughout has been largely on establishing individual grassroots institutions rather than integrating the institutions into a network at various levels (micro, meso and macro level). As the PCR notes, the focus of successive supervision missions remained largely on ad-hoc issues and did not take sufficient longitudinal view. In addition, the results of IFAD's efforts on working at the policy level to create suitable policy environment for financial institutions are mixed, with success in including provisions for licensing financial institutions included in financial sector development plan while provisions for deposit taking by FSAs were still not cleared as of the time of closing of RFCIP.

68. In light of the above the PCR concurs with the PCR and rates IFAD's performance as **moderately satisfactory (4)**.

69. **Government**. The Government of Sierra Leone paid only 50 per cent of its planned contribution of US$0.5 million. The Project national steering committee (NSC) was chaired by Ministry of Agriculture, Forestry and Food Security (MAFFS). The existing NSC for the RCPRP was augmented with a representative from the Bank of Sierra Leone to serve the RFCIP. This presumably had efficiency gains for the programme. The NSC provided guidance and approved the Annual Work Programme and Budget; defined and helped to achieve the project outcomes; and prioritized project activities. Monitoring & Evaluation (M&E) at the outcome level has been found to be weak throughout programme implementation. The Joint Programme Portfolio Coordination Unit (JPPCU) to implement the project of the African Development Bank and IFAD was replaced by the National Programme Coordination Unit (NPCU) which implemented two of the operational IFAD projects in Sierra Leone. The reason cited in the PCR is the lack of realization of the envisaged collaboration with African Development Bank.

70. The BoSL as a government institution had accorded the TAA with the right to supervise FSAs and CBs and to undertake reporting on financials on their behalf, which should be seen as a pre-condition for the transition of TAA to the Apex Bank. The regulations restricting FSAs from taking deposits from shareholders implies that the scalability of these institutions is restricted. However, the PCR also accords and affirms that such approach was justified in light of the declining performance of FSAs and community banks in the final years of the project. As of the time of writing this PCRV such regulatory restrictions were found to be in place. That being said the Bank of Sierra Leone is reportedly exploring ways to enhance the viability of the FSAs and to that end is considering providing selected FSAs the legal sanction to act as correspondent institutions to the community banks.

71. In light of the narrative above the PCRV concurs with PCR and rates the government's performance as **moderately satisfactory (4)**.

IV. Assessment of PCR quality

72. **Scope**. The PCR covered all the aspects set out in the PCR guidelines of 2015. This includes the evaluation criteria in the main text as well as informative and detailed annexes, as stipulated in the guidelines. The data and evidence are presented well. Scope of the PCR is hence rated **satisfactory (5)**.

73. **Quality**. The lack of comprehensive M&E throughout the project hindered analysis in the PCR to some extent. This is especially aggravated by the fact that the programme team could not conduct a normal, full-fledged completion mission in light of the Ebola outbreak. The PCR made an effort to plug this gap through a sample survey conducted at the time of PCR preparation. The analysis in the PCR flowed coherently from the previous supervision documents and was found to be critical overall (see assessment of candour below). The quality of the PCR is rated **satisfactory (5)**.

74. **Lessons**. The PCR covered the substantive issues facing the project, some of which are pointed out by the PCRV, in detail. The lessons section was also used to delve into details on some of the issues faced by the programme in general and financial institutions in particular and suggest the way forward. The lessons learnt from the PCR are rated as **Satisfactory (5)**.

75. **Candour**. The PCR has been found to be critical in many places, especially when it comes to non-core criteria. The analysis is also found to be good and objective and feeds into the ratings provided on various criteria. The PCRV and PCR agree on most ratings and the rating disconnect is found to be on the lower side. The candour of the PCR is rated as **Satisfactory (5)**.

V. Final remarks and lessons learned

Final remarks

76. The programme did not have specific **targeting** strategy in the course of its operation and, as the PCR acknowledges, the operations did not necessarily target women, ex-combatants, farmers, as envisaged in the appraisal report. However, such lack of targeting should perhaps also be seen in light of the post-conflict context and the intention of IFAD to work at the sectoral level in Sierra Leone. In many other rural finance projects in other contexts, IFAD works directly with its target groups to enhance their livelihood prospects by accessing (demand side) a functioning and existent rural finance market while also strengthening the institutions delivering such finance (supply). However, in Sierra Leone, the focus of the project was predominantly on building the supply pipeline in the rural finance sector. Such tension between targeting and sectoral level operations is taken into account by this PCRV.

77. On a related note, RFCIP's operations and benefits could perhaps be considered transient and a **longer, programmatic view** will have to be taken to consolidate achievements of RFCIP so far. This will also be needed to integrate the institutions into an integrated network of institutions. Thus RFCIP's achievements will become apparent in the future and will be contingent on IFAD's ability to build on the operations of RFCIP.

Lessons learned

78. Community level financial institutions take time to consolidate their performance and stabilize. Hence their performance has to be supported and monitored over a significant period of time to ensure the soundness of their financial management and business practices. Towards the end of RFCIP many FSAs and community banks had still not stabilized completely and were experiencing high levels of portfolio at risk.

79. It is important to have an enabling policy environment for rural finance projects to be successful. This may involve giving enough attention to working with regulators

and policy makers. In RFCIP's case, the PCRV has identified some barriers to scaling up the operations of FSAs.

80. Creating a sustainable model for oversight and capacity building after a project is over, is an important part of exit strategy and scaling up results in the future. In that regard, TAA presents a good example of in country capacity for backstopping existing and new institutions once IFAD projects have closed.

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
Adaptation to climate change	The contribution of the project to reducing the negative impacts of climate change through dedicated adaptation or risk reduction measures.	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	5	5	0
Effectiveness	4	4	0
Efficiency	4	4	0
Sustainability of benefits	4	4	0
Project performance[b]	4.25	4.25	0
Other performance criteria			
Gender equality and women's empowerment	5	4	-1
Innovation	5	5	0
Scaling up	5	4	-1
Environment and natural resources management	4	n.a.	n.a.
Adaptation to climate change	3	n.a.	n.a.
Overall project achievement[c]	**4**	**4**	**0**
Performance of partners[d]			
IFAD	4	4	0
Government	4	4	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*
Candour	n.p.	5	n.a.
Lessons	n.p.	5	n.a
Quality (methods, data, participatory process)	n.p.	5	n.a
Scope	n.p.	5	n.a
Overall rating of the project completion report	n.p.	5	n.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.

Review of outputs

Results	Unit	Period ending:	31-Dec-12		Cumulative			Sum of actuals of previous years
		AWP&B	Actual	% of AWPB	Appraisal	Actual	% of Appraisal	
Groups receiving project services	Number	2,816	2,816	100%	-	5,226	-	2,410
Households receiving project services	Number	8,686	8,686	100%	80,000	23,146	29%	14,460
People receiving project services	Number	43,430	43,430	100%	-	90,535	-	47,105
People receiving project services	Male	24,321	24,321	100%	-	49,582	-	25,261
People receiving project services	Female	19,109	19,109	100%	-	40,953	-	21,844
Saving and credit groups formed/strengthened	Number	-	-	-	36	36	100%	36
People in saving and credit groups formed/strengthened	Number	14,400	20,430	142%	-	39,710	-	19,280
People in saving and credit groups formed/strengthened	Male	-	11,441	-	-	24,937	-	13,496
People in saving and credit groups formed/strengthened	Female	-	8,989	-	-	14,773	-	5,784
Saving and credit groups with women in leadership position	Number	-	-	-	-	3	-	3
Active borrowers (disaggregated by gender)	Number	7,135	7,135	100%	-	22,988	-	15,853
Active borrowers (disaggregated by gender)	Male	3,929	3,929	100%	-	13,614	-	9,685
Active borrowers (disaggregated by gender)	Female	3,206	3,206	100%	-	9,374	-	6,168
Value of gross loan portfolio	USD	1,657,192.26	1,657,192.26	100%	-	3,959,519.62	-	2,302,327.36
Financial institutions participating in the project	Number	10	10	100%	7	13	186%	3
Staff of financial institutions trained	Number	142	142	100%	-	254	-	112
Staff of financial institutions trained	Male	99	99	100%	-	182	-	83
Staff of financial institutions trained	Female	43	43	100%	-	72	-	29
People trained in financial services	Number	111	111	100%	-	367	-	256
People trained in financial services	Male	62	62	100%		193	-	131
People trained in financial services	Female	49	49	100%		148	-	99
Voluntary savers (disaggregated by gender)	Number	6,483	6,483	100%	-	27,455	-	20972
Voluntary savers (disaggregated by gender)	Male	4,019	4,019	100%	-	15,974	-	11955
Voluntary savers (disaggregated by gender)	Female	2,464	2,464	100%	-	11,481	-	9017
Value of voluntary savings	USD	563,060	563,060	100%	-	2,999,320.88	-	2,436,260.46
Other social infrastructure constructed/rehabilitated	Number	61	50	82%	-	100	-	50
Other social infrastructure constructed/rehabilitated	Number	2	0	0%	-	2	-	2
Groups managing social infrastructure formed/ strengthened	Number	61	50	82%	-	100	-	50
Groups managing social infrastructure with women in leadership position	Number	25	25	100%	-	25	-	0
People in groups managing infrastructure formed/strengthened	Number	610	500	82%	-	500	-	0
Community groups formed/strengthened	Number	100	100	100%	-	100	-	0
People in community groups formed/strengthened	Number	1,000	1,000	100%	-	1,000	-	0
People in community groups formed/strengthened	Male	500	500	100%	-	500	-	0
People in community groups formed/strengthened	Female	500	500	100%	-	500	-	0
Community groups with women in leadership position	Number	16	16	100%	-	16	-	0

Source: PCR

Definitions of selected microfinance indicators

Return on Equity (ROE) is calculated by dividing net income (after taxes and excluding any grants or donations) by period average equity. Given that many MFIs are not-for-profit-organizations, the ROE indicator is most often used as a proxy for commercial viability.

Return on Assets (ROA) is calculated by dividing net income (after taxes and excluding any grants or donations) by period average assets. Simply put, it measures how well the institution uses all its assets.

The **Net Operating Profit Margin** (NOPM) is calculated by dividing Net Operating Profit or Income by Operating Revenue.

Operating Self Sufficiency (OSS) = (Operating Revenue) / (Operating Expenses + Financial Costs + Impairment Losses on Loans). The OSS indicates if an MFI is able to continue business without further external subsidies or not. This is the case when the OSS is above 100 per cent. A ratio of 100 per cent in OSS is also a break-even point for an MFI’s operation. A ratio below 100 per cent, however, indicates that the MFI is incurring losses.

Portfolio at Risk is calculated by dividing the outstanding balance of all loans with arrears over XX days, plus all refinanced (restructured) loans, by the outstanding gross portfolio as of a certain date.

The **Risk Coverage Ratio** is calculated by dividing loan loss reserves by the outstanding balance in arrears over 30 days plus refinanced loans. This measure shows what percent of the portfolio at risk is covered by actual loan loss reserves. For MFIs, loan loss reserves usually range between 80 per cent and 120 per cent of portfolio at risk.

Portfolio Yield is calculated by dividing total cash financial revenue (all income generated by the loan portfolio, but not accrued interest) by the period average gross portfolio. Portfolio yield is the initial indicator of an institution’s ability to generate revenue with which to cover its financial and operating expenses. It shows how much, on average, the MFI really receives in interest payments on its loans.

The **Return on Capital Employed** (ROCE) is calculated by dividing Net Operating Profit or Income by the employed capital. Employed capital is the total assets minus the current liabilities

The **Capital Adequacy Ratio** (CAR) also known as the Capital to Risk (Weighted) Assets Ratio (CRAR), is the ratio of a bank's capital to its risk. National regulators track a bank's CAR to ensure that it can absorb a reasonable amount of loss and complies with statutory Capital requirements. A common threshold for the CAR is 10 per cent.

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