Independent Office of Evaluation

IFAD
Investing in rural people

Project Completion Report Validation

Programme for Rural Outreach of Financial Innovations and Technologies (PROFIT)
Republic of Kenya
Date of validation by IOE: May 2020

I. Basic project data

			Approval (US$ m)		*Actual (US$ m)*	
Region	East and Southern Africa	Total project costs	83.2		91.002	
Country	Republic of Kenya	IFAD loan and percentage of total	29.31	35.2%	26.02	28.5%
Loan number	814-KE; 1218-KE	Borrower	0.56	0.7%	1.543	1.69%
IFAD project ID	1100001378	AGRA	2.75	3.3%	0.579	0.64%
Type of project (subsector)	Credit and Financial Services	Private Sector (risk sharing facility)	50.0	60.1%	32.2	68.7%
Financing type	Loan; Grant	Private Sector (credit facility)	-	-	30.2	
Lending terms	Highly concessional	IFAD grant[1]	0.60	0.7%	0.43	0.47%
Date of approval	16/09/2010					
Date of loan signature	22/12/2010					
Date of effectiveness	22/12/2010	Number of beneficiaries	814,509		441,091	
Loan amendments	1					
Loan closure extensions	1					
Country programme managers	Esther Kasalu-Coffin (current)[2]	Loan closing date	30/06/2017		31/12/2019	
Regional director(s)	Sara Mbago-Bhunu (current)[3]	Mid-term review			25/09/2014	
Project completion report reviewer	Chiara Maria Grimaldi	IFAD loan disbursement at project completion (%)			94% (Loan); 79% (Grant)	
Project completion report quality control panel	Eoghan Molloy; Fabrizio Felloni	Date of the project completion report			21/02/2020	

Source: President's report; Project Completion Report (PCR).

[1] The Grant's purpose was to finance the Innovation Facility. At the 2014 mid-term review, it was decided to cancel the Innovation Facility, whose funds were re-allocated to the Financial Graduation sub-component.
[2] Previous Country programme managers: Samuel Wariboko Eremie (2010-2013); Nadine Gbossa (2014-2015); Nils Henrik Franklin (2015-2016); Hani Abdelkader Elsadani Salem (2016-2018).
[3] Previous Regional directors: Sana Jatta (2015-2018); Perin Saint Ange (2012-2015); Ides de Willebois (2006-2011).

II. Project outline

Country & Project Name	Republic of Kenya, Programme for Rural Outreach of Financial Innovations and Technologies (PROFIT)
Project duration	PROFIT was designed to span over a six-year period (2010-2016). Board approval: 16/09/2010; loan/grant signing: 22/12/2010; loan and grant effectiveness: 22/12/2010; effectiveness lag: three months; time from entry into force to first disbursement of funds: 11.19 months. Original programme completion: 31/12/2016; actual programme completion: 30/06/2019; original loan/grant closing: 30/06/2017; actual loan/grant closing: 31/12/2019.
Project goal, objectives and components	PROFIT's overall goal: to contribute to the reduction of poverty in rural Kenya. PROFIT's aim at design was to reach 800,000 smallholders farmers, artisanal fishermen, pastoralists, women, landless labourers and youth. PROFIT's development objective: to increase incomes of the target group as a result of improved production, productivity and marketing in the various rural farm and off-farm sectors. Three outcomes expected from the Programme: (i) enhanced and systemically sustainable access of poor rural households to a broad range of cost-effective financial services; (ii) target group effectively managing assets, marketing produce and increasing employment; and (iii) efficient and cost effective use of programme and complementary donor resources to achieve the development objective. Three Programme components: (1) rural finance outreach and innovation, with its associated sub-components of risk sharing facility (RSF) and credit facility (CF); (2) technical support services, with its associated sub-components of business support services (BSS) and financial graduation (FG); and (3) Programme management.
Project area and target group	PROFIT had a national coverage but was designed only for rural areas of Kenya. Special focus was given to areas with agricultural potential, areas of high poverty incidence, and the arid and semi-arid lands region. PROFIT target groups: (i) stakeholders at the "lower value chains links" (such as rural smallholders, agropastoralists, pastoralists and artisanal fishers); (ii) the market intermediaries at the middle-higher tier (such as agro-input suppliers, agro-traders, agro-processors, wholesalers and transporters); (iii) also landless laborers. Through the FG sub-component, the Programme piloted a strategy to graduate the poorest into sustainable sources of livelihood from which they could also access financial services.
Project implementation	The National Treasury was the Programme's Lead Agency and its Microfinance Unit was responsible for PROFIT's day-to-day management. A Programme Coordination Unit (PCU) was established within the Micro Finance Unit to oversee implementation, with the idea that this would allow strong linkages to other initiatives. The PCU initially comprised a part-time programme coordinator, a financial controller, an internal auditor and a monitoring and evaluation (M&E) officer.[4] In 2016, an enhanced and more dedicated PCU was set up for the management and coordination of PROFIT's activities. The financial management team, comprising the financial controller and the accountant, was constituted as part of the strengthened PCU. A Programme Steering Committee was meant to provide policy-related guidance and advice. Implementation arrangements involved a number of key partners, including the Alliance for a Green Revolution in Africa (AGRA), the Bangladesh Rural Advancement Committee-USA, BOMA and CARE-Kenya; selected commercial banks (Agricultural Finance Corporation [AFC] and Barclays Bank), and micro-finance banks (MFBs) (Kenya Women's Finance Trust, FAULU, the Small and Medium Enterprise Programme, and RAFIKI). AGRA, as a key implementation partner of the risk-sharing facility, was expected to contribute to PROFIT technical assistance, to oversee, supervise and structure each risk-sharing arrangement including capacity building for agro-dealers and seed companies. It was also responsible for selecting suitable banks interested in expanding their lending in rural areas and agriculture sector.
Changes during implementation	A total of 15 supervision and implementation support missions were conducted. In 2013, PROFIT was assessed as a 'problem project'. IFAD's mid-term review (MTR) held in 2014 recommended urgent and immediate remedial actions, as by that time, only the CF subcomponent had been rolled out to improve liquidity for the expansion of rural agricultural portfolios of four deposit taking MFBs.[5] On this same occasion, due to the delayed roll-out, the Innovation Facility was cancelled and it was decided that the

[4] Initially, the part-time programme coordinator had other full-time responsibilities and devoted limited time for PROFIT to coordinate and rollout the programme sub-components with the identified partners.
[5] The four MFBs were Kenya Women's Finance Trust, Rafiki, the Small and Medium Enterprise Programme and Faulu.

	allocation from the grant would go to the financial graduation sub-component.[6] A re-allocation in IFAD financing patterns by component was recommended by the 2014 MTR. At MTR, the role of AGRA changed from Programme implementing partner to a technical service provider to implement the RSF and BSS subcomponents.[7] The post MTR mission, in October 2015, noted that most of the mid-term recommendations had not been implemented. In April 2016, PROFIT was suspended, awaiting successful implementation of an action plan that was designed to remove bottlenecks hampering implementation of key sub-components. In June 2016, a follow up mission found that the action plan had been largely fulfilled and the suspension was lifted. After the lifting of the suspension and recruitment of nine project staff in August 2016, the Programme was able to roll out all programme components. As the Programme was significantly behind targets, during the October 2016 supervision mission, the Programme was granted a 30-month extension, with the actual completion being 30/06/2019, to fully implement its remaining activities. On this occasion, Programme's overall outreach number of beneficiaries was dropped from 814,509 to 287,750. As a result of the achievements made in addressing implementation issues, PROFIT was graduated from 'problem project' status in 2017. Implementation of value chain activities only started in 2017, through two financial institutions (Barclays and AFC) rather than the four originally planned.
Financing	At design, PROFIT total financing amounted to US$83.21 million. The Programme was to be financed by an IFAD loan of US$29.3 million and an IFAD grant of US$0.6 million. The Programme was to be co-financed by: (i) AGRA with US$2.75 million; (ii) commercial banks with US$50.0 million; and US$0.56 million from the borrower. During its implementation, the Programme leveraged US$62.4 million (125 per cent of the design estimate of US$50 million), bringing PROFIT total cost to US$91.4 million (against the project design total of US$82.31 million).

Table 1
Project costs (US$ million)

Funding source	*Appraisal*	*% of appraisal costs*	*Revised budget at MTR*	*% of costs at MTR*	*Disbursements*	*% disbursed against MTR allocation*
IFAD (loan)	29.31	35.2	27.19	33.6	26.02	96%
IFAD (grant)	0.60	0.7	0.557	0.68	0.434	78%
Government	0.56	0.7	0.56	0.69	1.54	275%
Alliance for a Green Revolution in Africa (AGRA)	2.75	3.3	2.75	3.4	0.579	0%
Commercial banks (Private sector)	50.0	60.1	50.0	61.6	62.41	64%
Total	**83.21**	**100%**	**81.06**	**100%**	**91.40**	**113%**

Source: President Report, PCR.

Table 2
Component costs (US$ million)

Component	*Appraisal*	*% of appraisal costs*	*Budget at MTR*	*% of costs at MTR*	*Actual*	*% disbursed*
Rural finance outreach and innovation	72.55	87%	66.53	82.07%	76.038	114%
Technical support services	7.0	8.5%	10.23	12.63%	11,245	110%
Programme management	3.66	4.5%	4.30	5.3%	4.120	96%
Total	**83.21**	**100%**	**81.06**	**100%**	**91.40**	**113%**

Source: President Report, PCR.

[6] The Innovation Facility was cancelled as the PCU has not been successful in competitively recruiting the Innovation Facility Manager with the required set of skills and expertise needed to manage the Innovation Facility effectively. The MTR noted that the minimum conditions were not in place for this sub-component to be implemented successfully.
[7] This change was recommended by IFAD but was carried out without the due procurement process.

III. Review of findings

PCRV finding	*Rating*
A. Core Criteria	
Relevance	
1. PROFIT's design was highly ambitious, as it aimed to enhance the smallholder farmers' limited access to financial services, which was a key constraint to increase smallholders' incomes, productivity and production in rural areas, through a set of innovative financial instruments encompassing: the RSF, the CF, BSS, and FG.[8] At the 2014 MTR, these instruments were considered to be still relevant, in light of the overall lack of appropriately designed financial services and products in the remote and difficult rural areas that were not covered before the commencement of PROFIT.	
2. The Programme aimed at promoting agricultural sector lending from commercial banks, MFBs and saving and credit cooperative organizations (SACCOs) as well as providing technical support services in remote and difficult areas. As emphasized in the 2019 Kenya Country Strategy and Programme Evaluation (CSPE), given the banks' lack of experience and unwillingness to lend in the agricultural sector, PROFIT's main investment was to meet the low level of penetration of financial services by providing an incentive to banks to increase their agricultural lending in the target areas by 5 per cent and to diversify their services and products to rural areas.[9] Opening up credit doors for the smallholders was timely, as PROFIT's value chain feature sought to build more commercially oriented agriculture while still targeting poverty, through its support for the financing of different stages of agricultural production.[10] However, as noted in the 2019 CSPE, PROFIT's design was not very clear in terms of how commercial banks under the risk-sharing modality would have the capacity and incentives to reach the poor.	
3. PROFIT's objectives and activities were consistent with the Government's policies, priorities, and the strategies for sustainable poverty reduction in rural Kenya. PROFIT's design was also aligned with the IFAD Rural Finance Policy as well as being consistent with IFAD priorities, as detailed in its Country Strategic Opportunities Programmes of 2007 and 2013.[11] PROFIT included relevant targeting mechanisms to reach poor men and women. Although PROFIT aimed to target youth, the design did not include targeting mechanisms to reach them, other than a quota for youth representation among beneficiaries. The design also lacked specific operational measures or data collection and reporting on youth.	4
4. As reported in the Project Completion Report (PCR), PROFIT's internal logic was sound and relied on linkages between the rural finance outreach and innovation component, and the technical support services component. Meanwhile, PROFIT's relevance has been hampered by its implementation structure, as its design had not fully analyzed the capacity and resources required to implement PROFIT. As reported in the 2019 CSPE, Programme design turned out to have relatively complex and ambitious targets comprising different credit mechanisms, nationwide scope, and a large number of implementing partners ranging from commercial banks, MFBs, to technical service providers and non-governmental organizations. The MTR concluded that the design underestimated the challenges linked to a programme coordination unit being fully embedded in the systems and procedures of the Government of Kenya, among which the layers of decision-making required for the implementation of planned activities, the lengthy communication processes, and the management of procurement processes, including the recruitment of staff and hiring of service providers.[12] The number of targeted beneficiaries at design was ambitious and the	

[8] See IFAD, 2019 Evaluation Synthesis: Inclusive financial services for the rural poor.
[9] IFAD, 2019: Kenya Country Strategy and Programme Evaluation.
[10] The four targeted value chains (cereals, dairy, livestock and horticulture) were very important crops/enterprises in Kenya and IFAD's target group, and they were relevant in terms of potential to increase household incomes to face nutrition aspects.
[11] Although under the 2013 Country Strategic Opportunities Programme, rural finance was not an explicit priority, PROFIT's adherence to a value chain approach by supporting the financing of different stages of agricultural production, appropriately underpinned the Programme's value chain projects (by attracting commercial banks and MFBs to increase their agricultural lending portfolios).
[12] See IFAD, 2019: Inclusive financial services for the rural poor, Evaluation Synthesis.

PCRV finding	Rating
adjustments made at the 2016 supervision mission to significantly reduce the numbers were appropriate. Most importantly, the design of the M&E system did not take into account the need to capture benefits at the ultimate beneficiary level. 5. Overall, while the programme's design objectives of introducing innovative financial instruments for smallholder farmers were relevant, the implementation structure and approach proved too ambitious in practice. The PCRV rating for this criterion is *moderately satisfactory (4),* in line with the PCR rating.	
Effectiveness	
6. PROFIT's effectiveness has been severely hampered by the serious delays in launching most of its sub-components in the period 2010 to 2016. The Programme suffered from its weak management and governance structure, as the PCU was fully constituted and enhanced only in 2016. The 2019 CSPE found that the level of effort to coordinate a complex programme like PROFIT was underestimated at design. 7. As reported by the 2016 supervision mission, the Programme encountered challenges due to: i) design flaws; (ii) activity implementation; (iii) cash flow management arrangements. There was also a low level of disbursement under the programme management component, which resulted from many factors: i) inadequate staffing of the PCU; ii) technical inadequacies in operational documents developed for the implementation of the RSF and BSS; iii) low level of mobilization of technical assistance; iv) limited capacity to identify implementation issues and corrective measures/adjustments required; v) significant procurement delays. Furthermore, the 2019 CSPE noted that the design required substantial leveraging from private banks (US$50 million), timely coordination of support services, and strong management from IFAD's new partner in the National Treasury. The complexity and high risk of this approach placed immense challenges on the very lean PCU and its service providers, and led to serious delays in the start-up of the four sub-components and the project being put in IFAD's "at risk" category in 2015. The absence of dedicated arrangements for the financial team and the weak capacity to use the accounting software also contributed to high financial risks during the period when arrangements were not in place. The 30 months extension period turned out to be short and the Programme's deliverables were compressed into the last 24 months to meet the targets and complete activities within the already extended implementation period. As indicated by the PCR, despite the progress made in the final two years of implementation, the repercussions from the initial delays impeded the Programme from achieving its intended outcomes, as the Programme was unable to firmly establish its interventions and to effectively build sustainable cost-effective financial services integrated into value-chains and enhance smallholder farmers' ability to borrow. 8. Most importantly, upon completion, the Programme lacked critical data, and the PCR mission could not assess or verify the extent to which the increased lending contributed to PROFIT's overall achievement of its development objective. The PCR highlighted that the RSF and the CF led to an increase in the financial disbursements available to the agricultural sector. The partner financial institutions and their technical service providers indicated that agricultural sector lending has increased in the Programme region by 4 per cent against a logframe target of 5 per cent. The 2016 supervision mission report also recognized that CF credit lines have contributed to increased loan volumes for the MFBs and corresponding increases in their revenues, and have led to an improved access to borrowing for their clients. The FG pilots also reported strong effectiveness. However, the PCR mission could not assess or verify the extent to which the increased availability of finance for smallholder farmers had contributed to the achievement of the Programme's development objective of increased incomes that resulted from increased production, productivity and improved access to markets. 9. Given the serious gaps of the M&E system, there is limited to no information or evidence on how smallholders have benefited from the RSF through the agribusiness	3

PCRV finding	Rating
"anchor" loans, as well as from the credit facility.[13] The PCU and AGRA (as the key partner) did not have the capacity and resources to monitor benefits to actual beneficiaries. 10. In light of these shortcomings, the PCRV assesses this domain as *moderately unsatisfactory (3)*, a point lower than the PCR rating.	
Efficiency	
11. The overall Programme has been severely hampered by serious implementation delays, suspension of activities and categorization as a 'problem project' status. Although the financiers, including IFAD, were timely in the disbursements of their funds, PROFIT implementation faced significant challenges in the first six years of its implementation. Most of the implementation was done in the last two years, which led to significant issues of Programme's overall implementation quality. Upon completion on 30 June 2019, IFAD's loan was disbursed at 94 per cent, and the IFAD grant was disbursed at 79 per cent.[14] 12. The PCR mentioned that it was a challenge to measure how efficiently resources and inputs were converted into results. The PCR noted that PROFIT's poor management and implementation meant that it incurred costs in the first nine years with no corresponding "societal" level benefits. It was only in year 10 (2019/2020) that benefits started to exceed costs. The economic rate of return at design was estimated at 20 per cent with a pledge to reach around 800,000 households. In 2016, the number of beneficiaries was reduced significantly to 287,750, but the economic rate of return and the net present value were not re-calculated, as the Programme had not progressed sufficiently. Based on information about loans disbursed and the return on investment of an average of 15 per cent, the PCR estimated that the Programme still has the capacity to generate an economic rate of return of 22 per cent against a 20 per cent at design over a 20-year period going forward, in addition to many benefits that could not be quantified due to data capture gaps. However, this statement has to be taken with caution as the PCR financial analysis is admittedly not based on solid data. 13. At completion, the total Programme cost was recorded as US$91.7 million representing 113 per cent of the agreed investment cost at mid-term review of US$81 million. The PCR reported that an investment of US$9.6 million in the RSF had already leveraged US$32.2 million in lending from the partner financial institutions, the Barclays Bank Kenya (BBK) and AFC, thus indicating an average leverage rate of 4.7 times the RSF funding against the outcome target of 5 per cent. The PCR considered the net present value of KES886.9 million at a discount rate of 12 per cent to be significant, although it could have been higher, if implementation time/generation of benefits had not been lost in the initial six years. 14. According to the PCR, with the reduced target from 800,000 farmers to 287,750, the overall cost per beneficiary stood at US$58, which has been considered reasonable by the PCR, although what this translated to at the ultimate beneficiary smallholder farmer was difficult to quantify. At component level, the financial graduation activities reached 2,506 households (against a target of 2,600) at US$2,370/beneficiary; the PCR indicated this cost to be high, as both BOMA and CARE Kenya used a portion of the funds to build their resources so as to effectively reach the ultra-poor in the two counties. 15. For all the above reasons, the PCRV rates this criterion as *moderately unsatisfactory (3),* in line with the PCR rating.	3

[13] For the CF subcomponent, the data were not uniformly understood and reported by the four MFBs. The regularity and quality of the MFBs' reporting remained below expectations due to a lack of common agreements amongst the PCU and the MFBs on reference indicators and social performance monitoring as well as cost implications for the MFBs.

[14] As of the same date, the supervision mission noted expenditure commitments of approximately US$2.2 million for the loan, and US$91,000 for the grant, intended for claim. The PCR noted that, by taking into account these commitments, still to be approved by IFAD and the Government, the disbursement rate may rise to almost 99.9 per cent and 96 per cent against the IFAD loan and grant respectively.

Rural poverty impact	
16. Data monitoring, reporting and validation have been PROFIT's permanent key challenge and area of weakness. The Programme did not carry out revised baseline surveys after the long delays in the operationalization of some sub-components, taking into account the revised criteria for PROFIT targets. The M&E framework was revised in June 2018 with the completion of the procurement process of the M&E function. However, the 2019 supervision mission claimed that, despite the latest revision of the M&E framework, there was still a large amount of primary disaggregated data and insufficient analysis done by the PMU, as the M&E was unable to capture data beyond the output (outreach numbers) and beyond the disbursements to the intermediaries (anchors).[15] The quality of the reports provided by the partner financial institutions, micro finance banks, technical service providers, BOMA and CARE Kenya, also varied widely especially for the MFBs and generally lacked key data (such as increased outputs, productivity, sales revenue, total annual incomes) on the targeted direct and indirect borrowers. 17. As a result, the PCR did not have evidence of assessment tools used by the PCU and AGRA to measure impact that could be utilized to substantiate key Programme outcomes and impacts.[16] Given this circumstance, the PCR mission was only able to verify outcomes for a small number of beneficiaries at the village/country level met during the team's field visits and through the stakeholders' workshop, but the sample was not representative of the overall target population to assess the achievement of outcomes and impact. As a result, the PCR provided just some anecdotal information on some of the Programme's impact domains. 18. As reported by the PCR, with regards to household incomes and assets, the M&E system was not able to report increases in incomes at the ultimate beneficiary level. The focus was more on reporting the loan funds disbursed by participating banks either to anchors or other intermediaries, such as SACCOs and reporting on indirect outreach numbers for final beneficiaries (smallholder farmers). The PCR highlighted that 100 per cent of the beneficiaries met by the PCR mission claimed that they had increased their incomes, while 70 per cent of farmers and SACCO members met indicated that they had acquired new assets (such as livestock) and were able to pay the school fees for their children as a result of the increased income from farm yield. However, this information was collected from a small sample of beneficiaries selected by PROFIT management and was not representative of the total 441,091 targeted households. 19. Very little information is available to assess the Programme's impact on human and social capital and empowerment. The PCR made reference to a supposed greater accessibility to social capital within communities, as a result of the linkages established between the financial institutions (SACCOs and MFBs) as disbursement anchors. Capacity building carried out by technical service providers under component BSS supported 24,942 farmers with skills related to access to markets and financial services. 20. With regards to food security and agricultural productivity, the Programme's financial instruments of the RSF and CF have reached out to more than 400,000 farmers, mostly through value chain connections with 'anchor' agribusinesses. Although this support was expected to improve agricultural productivity, the Programme did not collect explicit information on agricultural productivity as, according to the 2018 supervision mission, agriculture productivity data was not a priority for the Programme's M&E. The PCR mentioned that nutrition was not explicitly targeted at design and supervision missions never raised this concern, until the 2019 mission, when it was realized too late that there was scope to further improve the data on nutrition-related outcomes of PROFIT. The only mention of nutrition-related results was reported by the financial graduation interventions,	3

[15] The socio-economic data of beneficiaries were not collected, as the focus of the participating banks and partner financial institutions (BBK and AFC), including the MFBs, was more on lending and loan recoveries, and not on monitoring the performance of the enterprises that smallholders were investing in.

[16] The PCR stated that, contrary to IFAD procedures, PROFIT requested IFAD no objection, during the last four months of implementation, to prepare an impact study in place of a Programme Completion Review. In line with IFAD procedures, this was denied.

which included training on nutrition and captured the number of meals consumed in a day. 21. In terms of policy and institutional objectives, the PCR noted that the Government was working with the PCU to use the experience and lessons gained from PROFIT to develop key policy frameworks for the financial sector in nine different areas related to three main issues: (i) increasing rural finance and outreach for micro, small and medium enterprises; (ii) changing the risk perception of commercial banks in Kenya; and (iii) expansion of the social protection initiative beyond the districts of Kitui and Samburu. 22. Given the lack of convincing evidence across the four impact domains, this PCRV assesses PROFIT's impact as *moderately unsatisfactory (3),* a point lower than the PCR rating.	
Sustainability of benefits	
23. The assessment of PROFIT's sustainability poses challenges, as the overall results have not been strong and PROFIT had only just started to build beneficiary ownership towards the end of its implementation. 24. On the negative side, the PCR considered the exit strategy to be weak, lacking specific actions and milestones to ensure continuity and maintain momentum to build on the results achieved. The Programme did not foresee applying systems to ensure effective management and monitoring of the RSF and CF after Programme completion. The PCR highlighted that no action plans were made to ensure sustainability of outcomes for the BSS and RSF or linkages to county governments and other IFAD or AGRA interventions. There were gaps in the BSS support on the demand side (smallholder farmers and smallholder groups) that will not continue without further external technical support, financing and coordination. PROFIT's long-term sustainability has also been negatively affected by the poor public-private sector partnership, with AGRA being both PROFIT's key partner and service provider. 25. On the positive side, at the level of partner financial institutions and microfinance banks, the organizations' knowledge to manage risks in the agriculture sector was enhanced and AFC, BBK, and a majority of MFBs have planned to continue lending beyond the life of PROFIT. For the financial graduation, the PCU has been actively working to integrate the lessons and experience of this sub-component into relevant government policies and interventions on social protection. BOMA has secured financing to continue working on financial graduation and it intends to work closely with the Hunger and Safety Nets Programme (HSNP) to help the Government to continue to identify innovative schemes, which combine a social safety nets programme with an opportunity for a viable livelihood. During the PCRV finalization process, evidence has also been provided by IFAD's East and Southern Africa Division on a number of interventions related to policy development and rural finance mechanisms that the Government is planning to further expand/fine-tune, which would contribute to sustainability.[17] It is also acknowledged that AFC managed to secure financing from the African Development Bank, following their experience with PROFIT. 26. While implementation challenges negatively affected the programme's overall prospects for sustainability, recent policy developments introduced by the Government and a greater engagement by banks and financial institutions in the agriculture sector increase the likelihood of some results being sustained into the future. On balance, the PCRV rates this criterion as *moderately satisfactory (4),* in line with the PCR rating.	4

[17] These are: i) the National Credit Guarantee Scheme, which will operate very closely along the lines of PROFIT's RSF; (ii) expanding outreach to rural communities through enhanced liquidity (along the credit facility type arrangement); and, (iii) Social Protection programming building on the experience of PROFIT's Financial Graduation scheme.

B. Other performance criteria	
Innovation	
27. PROFIT was meant to be an innovative programme, as it was expected to encourage the development of a range of innovative financial products, such as savings and remittance services, community infrastructure loans, value-chain financing, medium-term financing for the agriculture sector, and index-based insurance and health insurance. The innovation facility, that was initially allocated for testing and piloting innovative models, was cancelled at MTR. In the main report, the PCR highlighted that the Programme's implementation resulted in a number of innovative and appropriate financial products developed by the partner financial institutions and the technical service providers of the risk sharing facility. The technical service provider BDO, for instance, included wholesale financing models for SACCOs and MFBs, alternative use of collateral (produce), digital finance, affirmative financing model and long-term financing to stimulate mechanization. The BSS sub-component, in addition to continuous capacity building of partner financial institutions and MFB's, encouraged the partner financial institutions to streamline their management and governance systems and adopt more innovative financial products to reach a larger number of beneficiaries in the agricultural sector. Despite the high cost per beneficiary, the financial graduation pilot introduced new and innovative approaches in Kenya for the ultra-poor and illustrated the need to test such approaches to help selected individuals attain skills and assets and then link them to financial services. 28. While certain innovations were apparently introduced, they may not have been tested or documented fully, as mentioned in the PCR executive summary. No further information was available to make a more in-depth analysis of this finding. 29. In light of these reasons, the PCRV rates this innovation as *moderately satisfactory (4)*, in line with the PCR rating.	4
Scaling up	
30. PROFIT was designed with the intention of introducing innovative financial products to be further scaled up by the Government and partners. However, the poor implementation performance, with six years of stagnation, meant that the opportunities for demonstrating and scaling up PROFIT's innovations were severely hindered. 31. Some positive signs were evident in the final two years of implementation, during which time performance improved. For example, as the Government was interested in upscaling successful elements of the financial graduation model to the HSNP, BOMA secured financing to continue to work on financial graduation and intended to work closely with the HSNP to help the Government identify innovative schemes which combine a social safety nets programme with an opportunity for a viable livelihood. In this regard, the PCR indicated that the Programme has provided inputs to the National Social Protection Policy, and has contributed lessons learnt from the RSF, especially innovative financing models, during the policy preparation and public validation processes for the National Credit Guarantee Scheme Policy and Bill. 32. Furthermore, although not mentioned in the PCR, the 2019 supervision mission reported that AGRA has made efforts to scale up PROFIT approach in other countries including Ethiopia and Ghana, especially the combination of financial instruments like the risk sharing facility and the technical support services both on supply and demand side. In addition, Kenyan commercial banks have increased their interest to invest in agriculture and follow the innovative lending mechanisms developed in the context of PROFIT. Finally, Women Affirmative Access to Finance Window has been picked up by UN Women, by the Food and Agriculture Organization and by the European Union for scaling up. 33. Overall, while there have been some positive examples of PROFIT's initiatives having been scaled up, this is below the original expectations for PROFIT, and there has been only limited scaling up of the innovations described in the previous section of this PCRV. In light of these considerations, this PCRV rates this criterion as *moderately satisfactory (4),* in line with the PCR rating.	4

Gender equality and women's empowerment	
34. PROFIT's financial products were expected to be tailored to meet the needs and livelihood characteristics of the poor and, at design, there was an implicit assumption, that women and youth would benefit equally from the activities of PROFIT. All implementing partners, banks, MFBs, rural SACCOs and technical service providers were expected to be gender sensitive and to mainstream gender in all programme activities. Despite reiterations by all supervision missions, the recommended gender assessment study was not conducted, causing weak gender mainstreaming in Programme implementation. It must be also noted that gender and age disaggregation data gaps were not addressed thoroughly, leaving gaps that could not be filled at the PCR. 35. The 2019 CSPE found that the pro-poor targeting mechanisms expected at design did not fully materialise and traditional financial institutions continued to use existing approaches that did not reach the entire target group, namely poorer women and youth. The engagement of women through the RSF and CF sub-components was not satisfactory. Efforts were made to improve financial inclusion of female smallholder farmers, including development of a specific women affirmative access window and alternative collateral mechanisms. Though the RSF was implemented by AFC and BBK, at the end of implementation, only the AFC maintained gender and youth disaggregated data for direct, and partially for indirect, beneficiaries. A threshold was set of at least 50 per cent of women and 10 per cent of youth. The efforts only resulted in 17 per cent female for AFC loans, with no information on BBK loans or micro finance institutions/SACCO loans. Direct lending depicted a male dominance (78 per cent), due to women's lack of collateral (land title deeds and physical assets). Moreover, the minimum loan threshold limited many direct female borrowers. The PCR was unable to establish how well gender issues were addressed by BBK, as this partner financial institution did not explicitly address gender mainstreaming. BBK's focus was more on lending to the anchor borrowers who did not collect beneficiary data by sex or by age. 36. The FG sub-component was meant to target exclusively poor women and youth and men, who were unable to access financial services and qualified for the Government's social transfer assistance. About 70 per cent of the beneficiaries under the FG subcomponent were expected to be women and 30 per cent youth, whereas the BSS subcomponent targeted both men and women. Although the activities of the FG sub-component have potentially fostered gender equality and women's empowerment, in some cases this had led to a sudden change in social dynamics at household level, including financial dependence, and family disharmony. In response, PROFIT had to develop gender sensitization programs, aimed at improving channels of family communications and conflict resolution.[18] The PCR reported that the BSS sub-component adopted a strong targeting strategy for women in delivering business development and accounting training, as well as in the development of market linkages between women engaged in agribusinesses and smallholder farmers. 37. Overall, considering the weak level of gender mainstreaming throughout the Programme and the limited results for women's empowerment, the PCRV rates this criterion as *moderately unsatisfactory (3),* in line with the PCR rating.	3
Environment and natural resources management	
38. In assessing this criterion, the PCR just mentioned that, as addressing environmental and natural resources management issues was not an objective of PROFIT, there were no correspondent components or activities designed for this purpose and no indicators were included. In this regard, no other pertinent information has been found, apart from the 2019 supervision mission stating that the programme has not had a negative impact on the environment and natural resources. 39. Although the PCR narrative does not provide any analysis of PROFIT's performance under this criterion, the rating table attached to the document has given a rating of *moderately satisfactory (4)*. This PCRV deems that, given the lack of focus on the environment and natural resources in the Programme's design, and moreover, given	n.a.

[18] See IFAD 2019, Supervision mission report.

the lack of any evidence to adequately assess performance under this criterion, it is not possible to provide a rating, and it is instead recorded as *not applicable (n.a.).*	
Adaptation to Climate Change	
40. Climate change has not been explicitly targeted by PROFIT, and its design did not envisage to explicitly promoting strategies that were aimed at achieving climate change adaptation outcomes. In the implementation of the RSF and CF sub-components, there was no climate change aspect included. For sub-components BSS and FG, climate change adaptation and mitigation strategies were included in the current activity planning and implementation. For example, in BSS, climate risk insurance products were introduced by technical service providers to the partner financial institutions and their client farmer groups. In sub-component FG, water harnessing technologies were promoted as drought resilience method, and a "Short Rains Food Security Mapping" contributed to policy dialogue. 41. In view of these findings, this PCRV rates this criterion as *moderately satisfactory (4),* in agreement with the PCR rating.	4
C. Overall Project Achievement	
42. The Programme suffered from substantial implementation delays in the period 2010-2016. The Programme was beset by multiple implementation challenges and key components could not be operationalized until 2017, due to lack of capacity and human resources at the PCU, at National Treasury and at AGRA levels. PROFIT implementation was also hampered by the procedural complexity of a PCU embedded in the Government's structure. Although some progress was eventually made during the final two extended years of implementation, the initial six years' protracted delay seriously affected the Programme's ability to deliver on its expected development objectives. 43. Programme's data monitoring, reporting and validation has been a continuous challenge, being an area of weakness that was not addressed by the PCU for tracking and validating data systematically with partners. The design of the M&E system did not include elements to assess the extent to which the increased availability of finance for smallholder farmers and smallholder groups had effectively contributed to the achievement of Programme's development objectives. The M&E lack of capacity and resources of the PCU and AGRA (as the key partner) to monitor benefits to the primary beneficiaries, prevented any assessment of the impact of models and approaches that were rolled out. In addition, PROFIT's poor implementation has also been a result of a poor public-private sector partnership, with AGRA being both PROFIT's key partner and service provider. 44. The PCRV rates overall Programme achievement as *moderately unsatisfactory (3),* a point lower than the PCR rating.	3
D. Performance of Partners	
IFAD	
45. IFAD has undertaken 14 supervision and implementation as well as follow-up missions, providing advice and guidance on how to move ahead to overcome the many challenges encountered by PROFIT's implementation. For example, IFAD missions expressed concerns about the quality assurance role expected by the PCU, particularly on the supervision of AGRA. The change in AGRA's status from 'implementation partner' to 'service provider' consumed a great deal of energy and resources. IFAD also pointed out the gaps of AGRA's capacity to lead the implementation of the BSS sub-component effectively: the key concern was that the human resources allocated by AGRA were not adequate to guarantee supervision mission of good quality, and timely coordination of the deliverables and the technical service providers. The PCR stated that after the Programme's suspension, IFAD intensified its supervision and provided implementation support to enable the Programme to work towards the achievement of its development objective. 46. Conversely, as reported in the PCR, the lack of a rural finance specialist in the first six IFAD supervision missions (from 2011 to April 2014), was a serious shortcoming for a project focused on rural finance. Moreover, the frequent turnover of mission	3

members created further challenges, as not only did the Programme team have to familiarize themselves each time with the new consultants, but the technical service providers and MFBs had to readjust their focus, due to the different recommendations among the various missions. In addition, the PCR noted that, as IFAD supervision missions did not focus on progress towards achieving the financial and economic analysis based targets, at PCR it became difficult to re-run these targets as the supervision missions had not included them in their recommendations. Despite the fact that IFAD supervision missions have constantly highlighted the lack of primary beneficiaries' data, PROFIT failed to generate such data, with serious repercussions on the possibility to assess the achievement of PROFIT's development objectives as well as its overall goal of poverty reduction in rural Kenya. 47. Overall, while IFAD's commitment and involvement improved in the later stages of implementation, the lack of a rural finance specialist in the early supervision missions, compounded by the frequent turnover of supervision mission team members, contributed to project implementation challenges during the first phase of implementation. This PCRV therefore rates this criterion as *moderately unsatisfactory (3)*, one point lower than the PCR rating.	
Government	
48. The Programme has been implemented in line with agreed Loan and Grant covenants. Government contribution amounted to US$1.54 million, representing an achievement of 275 per cent against the MTR allocation of US$561,999. The PCR states that PROFIT has overcome its status of problem project, thanks to the Government working closely with IFAD. 49. The set up of the PCU in the financial architecture of the National Treasury did not work as expected, as key components could not be operationalized due to lack of capacity and resources at the PCU and National Treasury level. Most importantly, the initial inadequate staffing of the PCU prevented it from effectively steering the Programme, leading to serious implementation delays.[19] This understaffing situation was remedied in October 2016, with the recruitment of a full-time programme coordinator supported by a technical advisor; a procurement officer and a rural finance officer. The PCU did not have a dedicated procurement unit and all procurements were carried out by the procurement unit of the National Treasury. The accounting and reporting arrangements proved inadequate in terms of accounting and reporting requirements for IFAD, and the accounting system was finally put into full use only in the last year of implementation in 2018/19. At times, the process was slow and led to undue delay in procuring contracts and goods in a timely manner. IFAD missions expressed concerns also about the PCU's quality assurance role, particularly on the weak supervision of AGRA as a service provider. Moreover, being both a Programme's partner and a service provider, AGRA should not have been a member of the advisory committee of the Programme, to which it was rendering services. The Programme Steering Committee was not effective as it was not being consulted on important issues to provide policy-related guidance and advice. 50. Most importantly, the PCR has deemed the PCU responsible for its limited capacity to put in place a strong results based M&E system for the Programme, in order to monitor and analyse the data received by the participating MFBs. There were no strategy and modalities to ensure adequate monitoring of the use of funds and it came to light that some institutions used funds outside PROFIT targets. 51. In light of these shortcomings, the PCRV rates this criterion as *moderately unsatisfactory (3)*, a point lower than the PCR rating.	3

[19] These challenges were compounded by a gradual increase in PCU duties over time and the considerable time needed for an embedded PCU to take action within the Ministry and dealing with the multiple layers of decision making required for the execution of planned activities.

IV. Assessment of PCR quality

PCRV finding	*Rating*
Scope	
52. The PCR included all the chapters as well as the relevant annexes foreseen in the PCR Guidelines. This PCRV rates the scope of the PCR as *satisfactory (5).*	5
Quality	
53. The PCR has drawn a comprehensive picture of the Programme's overall implementation. The PCR preparation process was participatory and the consultations with programme stakeholders seemed comprehensive and inclusive. A stakeholders' workshop was held in October 2019 during which the findings of the mission were endorsed and concerns of beneficiaries were voiced. Serious limits in PROFIT's M&E system, recognized in the same PCR, meant that there was a dearth of data beyond the disbursements to the intermediaries (anchors), which seriously undermined the assessment of the effectiveness and the impact of PROFIT's interventions at the smallholder level. This PCRV found that the PCR would have benefitted from a more focused analysis, as it was too long and sometimes repetitive. 54. On balance, the PCRV rates the quality of the PCR as *moderately satisfactory (4).*	4
Lessons	
55. The lessons learned have been fairly well presented in the executive summary. However, in the main report, the paragraph on the lessons learned has been found to be too scant, whereas some relevant lessons learned have been presented in the PCR's conclusions and recommendations section, as well as they were scattered in other sections of the report. Given the Programme's overall challenging implementation, more attention should have been paid to better drawing and systematizing the lessons learned. 56. In light of these reasons, the PCRV rates the quality of the lessons learned as *moderately satisfactory (4).*	4
Candour	
57. The PCR made an effort to present a fairly balanced picture of the Programme's overall implementation, by highlighting the weaknesses and shortcomings in the implementation phase. However, given the Programme's limited final results, some of the ratings for some evaluation criteria were found to be too positive and not in line with the narratives. 58. For these reasons, the PCRV rates the candor of the PCR as *moderately satisfactory (4).*	4
Overall rating of the PCR report	
59. The PCRV rates the overall quality of the PCR as *moderately satisfactory (4)*.	4

V. Final remarks

Issues for IOE follow up (if any)
If possible, IOE should explore a way to fill the gap of the PCR 'missed opportunity' in assessing PROFIT's actual contribution in terms of achieving its development objectives and impact. Within this framework, it would also be worthwhile to focus on the quality of the public private partnerships with AGRA (being both a key partner and a service provider), investigating on what went right and what went wrong.

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	3	-1
Project performance			
Relevance	4	4	0
Effectiveness	4	3	-1
Efficiency	3	3	0
Sustainability of benefits	4	4	0
Project performance[b]	3.75	3.50	-0.25
Other performance criteria			
Gender equality and women's empowerment	3	3	0
Innovation	4	4	0
Scaling up	4	4	0
Environment and natural resources management	4	n.a.	0
Adaptation to climate change	4	4	0
Overall project achievement[c]	**4**	**3**	**-1**
Performance of partners[d]			
IFAD	4	3	-1
Government	4	3	-1
Average net disconnect			**-4/12=-0.33**

[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		4	
Lessons		4	
Quality (methods, data, participatory process)		4	
Scope		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.

Abbreviations and Acronyms

AFC	Agricultural Finance Corporation
AGRA	Alliance for a Green Revolution in Africa
BBK	Barclays Bank Kenya
BSS	Business Support Services
CF	Credit facility
FG	Financial Graduation
HSNP	Hunger and Safety Nets Programme
IFAD	International Fund for Agricultural Development
KES	Kenyan Shilling
M&E	Monitoring and Evaluation
MFB	Microfinance Bank
MTR	Mid-term Review
PCR	Project Completion Report
PCU	Programme Coordination Unit
PROFIT	Programme for Rural Outreach of Financial Innovations and Technologies
RSF	Risk Sharing Facility
SACCO	Savings and Credit Cooperative Organization

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