

THE REPUBLIC OF SIERRA LEONE
Rural Finance and Community Improvement Project (RFCIP)
Loan No. 8001-SL

Mid-Term Review mission: 15th May – 24th May 2012

Report

A. Introduction¹

1. From 15th May to 24th May 2012, an IFAD mission undertook a Mid-Term Review (MTR) supervision of the Rural Finance and Community Improvement Project (RFCIP) in Sierra Leone. This MTR complements the RFCIP technical mission undertaken from 14-26 March, 2012. The main objectives of the mission were to: (i) assess the level of implementation of the programme, (ii) discuss the options for the establishment of the future FSAs/CBs apex body and, (iii) identify operational problems and recommend corrective measures.

2. The mission visited CBs and FSAs in Kailahun, Kono and Kenema districts, the TAA in Kenema, participated in the workshop on revenue generation organized in Bo with 6 district councils, and attended different working sessions with BoSL, MOFED and MAFFS both on the on-going RFCIP performance and on the future architecture of the RFCIP Phase 2. The final wrap-up meeting with the Ministry of Agriculture, Forestry and Food Security (MAFFS) took place on May 24th.

3. The MTR mission members wish to express their sincere thanks to the Government of Sierra Leone, the MAFFS, the MOFED, the BoSL, the RFCIP/RCPRP project team, and all the national and international development partners for their warm welcome and support for the success of this Mid-Term Review Supervision Mission.

B. Overall Assessment and Findings

4. The RFCIP – a USD 10 million Grant – is now 4 years old. It was approved by the IFAD Executive Board of April 2007 and effective in May 2008. Since January 2009, the RFCIP is under IFAD direct grant administration and supervision. As of today, the overall progress of the RFCIP follows an outstanding trend with approximately 95 % of its objectives already reached and an overall disbursement rate of 92%.

5. Through the rural finance component, 36 Financial Services Associations (FSAs) and 9 Community Banks (CBs), hence a total of 45 rural financial institutions, are now fully functional with quality management and financial performance offering financial services to over 50,000 ongoing shareholders. As of 31st March 2012, the 9 CBs have a total deposit amount mobilized from the general public of USD 2,758,896² from 19,374 savers, and a loan outstanding amount of USD 1,599,306 to 10,466 active loan clients. Average portfolio at risk (PAR) for the 3 new CBs is 0%; for the 6 restructured CBs, the PAR has gradually decreased to 9% after charge off loans given by previous management. For the 36 FSAs, USD 550,146 has been mobilized from 29,763 shareholders and the loan outstanding totals USD 734,316 with 4,542 active loan clients. The 36 FSAs average portfolio at risk is today 4.12%. Financial ratios for FSAs are high

^{4/} The Mid-Term Review supervision mission was composed of: Mr. Hubert Boirard, Team Leader (CPM, WCA); Mr. Vincent Sineau, Programme Assistant (WCA); Mrs. Anta Sow, Financial Specialist (IFAD consultant). The RFCIP technical mission was composed of: Mr. Vineet Raswant, Rural Finance Specialist and IFAD Senior Technical Adviser in the Policy and Technical Advisory Division (consultant), also Mission Leader; and Ms. Monica Romano, Institutions Specialist and consultant on rural institutions in the Policy and Technical Advisory Division.

² 1 USD= Le 4,300

enough for the oldest FSAs to progressively self-finance their running costs and for RFCIP to initiate the exit strategy.

6. The professionalization of FSAs and CBs, the close supervision of the TAA, the regular review of the FSA and CB business plan and models as well as the implementation of the refinance facility have demonstrated that access to rural finance in the remote areas is possible and that FSAs/CBs can be excellent financial institutions to alleviate poverty and reach the smallholder farmers. After 3 years of field activity, FSAs and CBs have improved the livelihood of women and youth in particular by providing them with small loans mainly for business purposes. To complement their impact in the agricultural sector, FSAs and CBs will now start a pilot with 3 major agricultural financial products (agricultural campaign, rehabilitation of plantations and agricultural services credit). Civil servants salary payment through CBs is expected to start as pilot for teachers in Koinadugu district. This pilot should be extended to the other districts and civil servant corporations (education, police, etc.) with the support of MOFED. The payment of civil servants salaries in rural communities came up as an important issue (due to transport, time and cost constraints) for government consideration at Cabinet level.

7. The MTR team held discussions with MAFFS, BoSL and MOFED on the establishment of the future FSAs/CBs apex body based on the proposal made by the last IFAD technical mission. Agreement was reached on the fact that the proposed future apex body and the future National Development Bank approved by Cabinet should be constituted as one single body, as they should serve the same sector. By the end of 2013, FSA and CB networks (RFCIP and SCP-GAFSP RFCIP funding) should be allowed to provide 70 field operational financial institutions at national level to promote access to rural finance under the umbrella of the National Development Bank. This Apex Bank will consequently undertake three critical functions: (i) continued support to CBs and FSAs as provided by the TAA at present; (ii) audit and supervision of the CBs and FSAs with the support, and on behalf of, BoSL; (iii) provision of medium and long term financing for Agro- Industrial enterprises and SMEs serving the rural sector. This National Development Bank should be co-financed by the GoSL, IFAD as well as several donors that have already expressed interest to the Government (World Bank, African Development Bank, EU, Bank of China..). The RFCIP 2 design mission, planned for early June 2012, will work under this proposal and meet the various potential partners and donors to propose a draft for discussion.

8. Through the component 'Support to Community Development', RFCIP has developed its interventions in coordination and synergy with RCPRP. The capacity building planned in RFCIP for elected representatives of wards and districts has been postponed until after the elections planned for the end of 2012, which will result in renewal of the local councils teams. As ward councils have no physical representations at village level, RFCIP has developed a standard ward office and methodology. As of today, 50 ward offices have been built, an additional 50 ward offices are ready to be contracted and 41 sites are under studies so that by the end of 2012, all 141 wards covered under RFCIP districts³ are equipped with an operational office. This standard ward office has been adopted by the GoSL and will be replicated at national level. In the same vein, two youth centres are on the verge of being completed in Kono and Kailahun districts. The RFCIP 2 design mission will complement IFAD ongoing actions in this sector (RFCIP and RCPRP) as well as the others donors / GoSL actions for supporting district and ward councils in order to make the 2004 Decentralization act fully effective.

³ Kono, Kenema, Kailahun and Koinadugu.

C. Outputs and Outcomes

Component 1 – Access to Rural Financial Services

9. Below is a summary of the key achievements of RFCIP as compared to the financial agreement objectives:

Key Indicators	Achievement	Goal
Establishment of Financial Services Associations	100% - 36 Financial Services Associations established and operational. The FSAs provide micro credit, national and international money transfer, safe keeping, etc.	Establishment of 36 FSAs providing a range of financial services to rural communities.
Establishment of Community Banks	95% - 3 Community Banks functional and remaining 4 established Community Banks, ready to commence operation (awaiting banking licences from BoSL)	Establishment of 7 Community Banks
Restructuring of Community Banks	100% - 6 pilot Community Banks established by the BoSL are being restructured. Fixed Assets, operating cost grant, capacity building, interim board and efficient management are in place.	Not initially planned
Assistance to BoSL	90 % - Other Deposit Taking Institutions under OFS Act 2001 have been introduced for CBs and Banking Supervision Department is working towards FSAs regulation. BoSL equipment on going.	Assistance to BoSL for favorable regulatory and supervisory environment for CBs and FSAs
Refinance Facility Fund (RFF) to be set up at BoSL for lending to CBs and FSAs	90% -The Refinance Facility Fund (RFF) has been set up at the BoSL. 5 CBs and 4 FSAs have received first tranche of USD 500 000 RFF. A total number of 959 clients have benefited. Second installment transferred to BoSL ready to be loan to additional CBs and FSAs.	Refinance Facility Fund set up and operational for eligible CBs/FSAs.
Pilot Refinance Facility Fund for FSAs	100 % - A pilot RFF was set up at TAA with an amount of USD 100,744 with cumulative disbursement of USD 251,651. A total of 23 FSAs have benefited under the revolving pilot RFF.	To test the implementation modalities of a Refinance Facility Fund.
Study on the establishment of an Apex institution	100 % - Three studies were carried out by Veteran Investment Ltd, IFAD consultant and internal study.	Apex Body for FSAs/CBs established.

10. Under the **sub-component Financial Services Associations**, the Project started with a target of 30 FSAs to add to the 6 pilot FSAs, making up a total number of 36 FSAs, which has been achieved. The last 4 FSAs have already been established and share mobilisation is already in progress; 32 of the FSAs are in full operation, of which 18 have demonstrated positive net operational income. 32 of the FSAs are operating from buildings provided under the project. The original FSA model was revised to make it more efficient and has contributed to the positive results which are being recorded. A

pilot on-lending scheme was introduced by the TAA and has been accessed by 23 FSAs which has boosted their income generating capacity.

11. Under the **sub-component Community Banks**, the project targeted 7 CBs to be established. Six more distressed CBs established by the BoSL were added to bring the total number to 13. The last 4 CBs under the project are being established to complete the original 7. Buildings, recruitment of staff, and other logistics have been procured. The first general assembly of the shareholders has been held and board members appointed. Official opening is awaiting banking licenses from BoSL. It is expected that CBs will open to the public for business before the end of June 2012. The restructuring of the 6 pilot CBs is ongoing and is currently at the stage of external auditing. The model of the CBs has been revised to make them less expensive to establish and operate, and thereby to enhance their operational self-sufficiency.

12. Under the **sub-component rural finance environment and apex body**, the TAA was envisaged as developing into an apex to provide management and technical support services for CBs and FSAs. The TAA was thus set up in 2010 as a unit under the NPCU. In line with different scenarios for the proposed Apex Body, the TAA will develop a concept paper on a proposed Apex Bank for the upcoming RFCIP 2 design mission. Meanwhile, the TAA is conducting audit and inspection of CBs and FSAs. It also performs human resources management functions, and provides training and other services. As the GAFSP Component 3 is also being implemented by TAA/RFCIP, taking the coverage from the initial four districts to nationwide, a TAA sub-office will be opened in Makeni.

Component 2 – Support to Community Development

No	Activity	Achievement	Global Objective
1	For capacity building of communities Sensitization of four RFCIP Districts in April 2011	100% - All four districts have been sensitised on RFCIP activities. Follow-up sensitization is currently in progress in the project districts	To increase the communities' level of information on the RFCIP activities
2	Ward offices- to construct a total of 141 ward offices by the end of 2012	The first set of 50 ward offices have been constructed and contracts awarded for the second set of 50 ward offices	To increase rural participation in the management of local decentralized institutions.
3	Support development plan preparation at the community level of all ward committee and the four District councils for 2012	In the 2012 AWPB, support will be provided to the district councils and ward committees to prepare/review their plans in July/August.	To address the collective economic and social needs of communities.
4	Land acquisition- Land agreements will be signed for all land donated to the council for the construction work for the first and second phases of construction work on ward offices.	The land agreements have been given out to councillors for the chiefs and land owners to sign. 90% of land agreements given out have been signed.	Sustainable infrastructure development in the districts.

13. The sensitization activities are ongoing in all four project districts. Fifty ward offices were completed out of a total of 141; in the second phase, another round of fifty ward offices are expected to be completed by September 2012 and the third phase of 41 ward offices will be completed by end of 2012.

14. The preparation/review of both the District development and Ward Development plans are annual activities of the Local Government Finance Department (LGFD). This activity is a requirement especially for the district councils to access central government transfer funds. The annual preparation/review of the plans and the budgeting process starts in July/August and ends in November. RFCIP is therefore waiting for this time to provide the support needed to the wards and district councils

15. The land agreement for the remaining 41 ward offices will be signed in September before awarding the contracts for the last phase. Councils will be notified by the project to secure the land for the construction of the ward offices and then the agreement will be prepared.

D. Year 4 Project Implementation Progress

Component 1 – Access to Rural Financial Services

16. As at April 2012, 63% of the 2012 AWPB physical targets have been executed and the overall performance of the FSAs and CBs has been satisfactory in view of the fact that all the quantitative targets set in the 2012 AWPB have been reached. Figures provided by CBs and FSAs show a sustainable increase in client base and profitability. The focus has been changed from pre-establishment to increasing outreach and sustainability of CBs and FSAs in 2012.

Financial Services Associations

17. All 36 FSAs are in operation, catering to the needs of rural communities by providing basic credit, safekeeping, domestic and international remittance services. The FSA model has been fine tuned. In the new model, staffs are recruited nationally on a competitive basis and provided with on-the-job and classroom-based training, instead of being recruited locally. FSAs have business plans and operate on set policy and procedure developed by the TAA. Twenty Three (23) FSAs have so far benefited from the pilot on-lending facility and 4 FSAs have benefited from the Refinance facility set up at the BoSL. 18 of them have reported positive net income after deduction of about 80% recurrent expenses (salary, running cost and board allowances) paid by IFAD. It has been established that the additional funding to capital starved CBs/FSAs increases their outreach and profitability.

18. The 3.5% monthly interest rate charged by FSAs needs to be revised in order to meet the expectations of shareholders and also to match the interest rate of other MFIs. The TAA shall calculate the interest rate with respect to cost of funding which has been changed due to availability of Refinance Facility Fund, inflation, loan losses, etc. In terms of products and services, there is a need for FSAs to diversify the products and services to increase their profitability and meet the needs of the communities, including the specific needs of target groups such as women and youth. A savings product needs to be piloted in FSAs for its shareholders only, in collaboration with CBs. The TAA shall develop a proposal and forward it to the BoSL for approval. The proposal should include clear responsibility of CBs and FSAs, risk and cost analysis as well as the sample size. Continuous advertisement and sensitization of the products and services is required to increase the patronage of the communities. Local radio shall be used for this purpose with a focus and assessment on outreach to the rural poor, including women and youth, and the cost will be borne by the project. To ensure that motivational and hygiene factors are taken into consideration for FSAs staff, NPCU should develop a moderate

design and cost of FSAs staff quarters. The Board of Directors (BoDs) of FSAs do not fully understand financial ratios and analysis and there is a need for these BoDs to be trained on these aspects. Also, to keep the BoDs motivated and committed, an increment in their allowances based on the performance of the FSAs should be put in place, to be agreed by the TAA and FSAs.

19. The government of Sierra Leone has established Agricultural Business Centers (ABCs) that provide basic facilities such as inputs, equipment and training to farmers. In order to improve delivery of services, there is a need to link these ABCs to FSAs within their catchment area so that they will be provided access to finance. Each ABC should be encouraged to open an account in the nearest FSA or CB.

Community Banks

20. So far, three CBs have been established under RFCIP and pilot CBs established by the BoSL are in the process of restructuring. An additional 4 CBs (under RFCIP) are ready to commence operations and are awaiting licenses from the Bank of Sierra Leone. A total number of nine CBs are being monitored by the TAA. The model was assessed and reviewed with a focus on profitability and sustainability (break-even point). As part of the cost cutting strategy, the staff structure of the CBs has been revised from 6 regular staff to 4, resulting in cost savings of around 57 million Leones for start up CBs. The strategy is to increase the number of staff in direct proportion to the growth in clientele size. Also, the cost of CB buildings has been revised downward through elimination of the front fence and reduction of cashier's cages from 3 to 2. The number of motorbikes has been reduced from 4 to 3 resulting in savings of Le 5,500,000.

21. The TAA has developed policies and procedures for Community Banks; nevertheless, the interest rate and loan size for the BoDs and CBs staff need to be reviewed to ensure that the loan capacity and profitability of CBs are not compromised. Staff quarters for the CBs staff should be considered on a case by case basis in areas where adequate accommodation supply is not available. Also, one of the pilot CBs (Marampa Masimera Community Bank - MMCB) is facing difficulty in terms of building, as the size of the building can no longer support the growing client base. It should be pointed out that MMCB is the highest performing CB. A cost estimate and design for the building should be done by NPCU. Also, a letter should be drafted requesting the BoSL to write-off the debenture for the rescue CBs as BoSL's contribution towards the project.

Apex body and rural finance environment

22. The TAA was established under RFCIP to cover four districts of project intervention. With the advent of GAFSP, the TAA role has been expanded to cover the entire nation. The TAA will also become an integral part of the future Apex institution. A sub-office of the TAA should therefore be opened in Makeni. An Agricultural Development revolving Fund fed from the payback mechanism of RCPRP is to be set up at the TAA level for CBs and FSAs to provide medium and long term agricultural financing. A tree crop rehabilitation product in line with the developed agriculture credit policy should also be piloted for 1,000 acres through CBs/FSAs. In line with the different scenarios of the apex bank, the TAA should develop the concept paper on the proposed Kenema CB with different options.

23. The Inventory Credit Scheme was piloted by the TAA in collaboration with Innovation for Poverty Action in 2011 with the three CBs. A total number of 528 small farmers benefited with total disbursement of Le 48,988,000. Assuming that production costs are 2/3 of the sale prices obtained in the absence of the inventory credit product (thus assuming a mark-up of 1/3), the percentage increase in farmer profits per "batta" (5 gallon containers) stored was calculated as 31.6% for Pendembu, 34.6% for Segbwema, and 22% for Sewafe.

24. The first tranche of USD 500,000 for the Refinance Facility Fund has been disbursed to 9 eligible institutions (5 CBs and 4 FSAs). These institutions have utilised the funds to extend credit facilities to an additional 959 loan clients undertaking various economic activities in rural areas. Based on the TAA assessment improvement needs to be made in three areas i) Pay back mechanism; ii) interest rate; and iii) line of credit instead of fixed term loans. After discussion with BoSL, an agreement was reached to modify the terms and conditions of the RFF as follows: free interest rate, borrowing limit on the line of credit basis and six months moratorium on drawdowns retroactively to the FSAs and CBs that have benefited and will benefit in the future.

25. A Cabinet conclusion had been reached by the Government of Sierra Leone for the resuscitation of the former National Development Bank (NDB) to provide support to 1) Agriculture; 2) Agro-business financing; and 3) Small and Medium Enterprises (SMEs). During the IFAD technical mission of 14 – 26 March 2012, the team had fruitful discussions with the Minister of Agriculture on the establishment of the NDB and how it can be linked to the proposed Apex Bank, as they serve the same sector. Consequently, the RFCIP 2 will integrate the three components into its design, under the lead of the ad-hoc Committee (MOFED, MAFFS and BoSL) with the participation of a Sierra Leonean expert in agro-business and SMEs during the design mission.

Agreed action	Responsibility	Agreed date
Provision of the 4 missing banking licenses	BoSL	31/05/2012
Set up of Agricultural Development Fund from the payback mechanism of RCPRP to be lent to CBs/FSAs for on lending to Agriculture Sector	TAA/NPCU	01/06/2012
Opening of ABC accounts in nearest FSAs and CBs	SCP Coordinator	31/12/2012
Preparation of FSAs staff quarter design and cost estimate	NPCU	15/06/2012
Preparation of CBs staff quarter design and cost estimate on case by case basis for CBs	NPCU	15/06/2012
Revision of FSAs interest rate	TAA	15/06/2012
Performance based incentive for FSAs BoDs	TAA	30/06/2012
Launch of radio advertisement for FSAs/CBs	TAA/FSAs/CBs	30/06/2012
Drafting of proposal on FSAs savings product in collaboration with CBs to BoSL	TAA	01/06/2012
Revision of loan size and interest rate for CBs BoDs and staff	TAA	01/06/2012
Preparation of MNCB building design and cost estimate	NPCU	30/06/2012
Drafting of letter to BoSL for writing off debenture loans of the six rescue CBs	TAA	30/06/2012
Inclusion of economic profile of FSAs/CBs shareholders in M&E reporting	TAA/NPCU	30/06/2012
Cost of fixed assets and other cost such as AGM for FSAs to be recorder in their books	TAA/NPCU	15/07/2012
Implementation of exit strategy for selected FSAs/CBs	TAA	15/06/2012
Conduct of external audit of CBs	CBs/TAA/NPCU	15/06/2012
Training of FSAs BoDs on financial analysis and performance management	TAA	30/06/2012
Drafting of TOR for consultant with knowledge of the national agro-business and SMEs context	NPCU/MAFFS	Immediate
Meeting of ad-hoc Committee members with potential donors regarding the RFCIP 2 design	NPCU/MOFED	15/06/2012

Component 2 – Support to Community Development

26. The main activities initiated under this component for the period under review are shown in the table below. About 60% of activities specified in the 2012 AWPB have been initiated.

No	Activity	Implementation Status
1	Construction of second set of 50 ward committee offices	Notifications for award of contracts to be issued out
2	Construction of two youth centers for Kenema and Koinadugu respectively	Unresponsive bids; procurement process has been re-launched
3	Procurement of furniture for first set of 50 ward offices constructed in 2011	RFQ issued out to potential contractors

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4	Procurement of furniture and equipment for youth centres in Kono and Kailahun	Concept, budget and request approved. Procurement process is in progress
6	Support to capacity building of desk officers for district councils and MAFFS	Staff appointed but payment of allowances and other logistical support to be done after the signing of MOUs with councils and MAFFS.

27. Most of the wards have not prepared a ward development plan. In the case of the few that have, the process was not consultative/participatory and hence lacks ownership by the community. A standard format will be designed during the annual review of the plan in line with the district development plan and budget for 2012. The Ward committees and District councils will be trained to use this format. Another issue is that even where ward committees prepared their ward development plans, they have not been able to implement the activities contained in the plan due to lack of resources to fund projects in the plan. Furthermore, the plans should be subjected to an annual review to capture new issues and eliminate activities in the plans that have been implemented. This review has not been done due to the same resource constraint.

28. The fifty ward offices under construction in the four IFAD funded project districts are almost completed. In total, 141 ward offices in the four districts were planned and budgeted for in the AWPB 2011 and to continue in 2012. The second set of fifty offices has already been awarded and work should be completed by September, 2012. The final set of forty one is to be completed by the end of 2012. Training of ward and council staff was deferred until 2013, in light of the upcoming general elections and possible replacement of councillors and ward committee members. The 2012 strategy for capacity building of ward committees will therefore focus on infrastructural aspects by providing furnished ward office buildings for ward committee members. This will be replicated at the national level to cover the remaining districts and city councils.

29. The map for the location of the fifty completed ward offices and the fifty new ones to be constructed is being prepared and will be ready by May 31, 2012. All fifty ward offices under construction have been almost completed. A report on the progress of work and the performance of contractors has been prepared. Some of the key findings of the report are as follows: About 85% of the contractors finished on time whilst 15% delayed. There is a training plan for all the ward committee members to be very efficient and effective in delivering on their mandate but this training has been scheduled for 2013 (after the election in 2012). An MOU was signed between NPCU and GIZ for three activities to be jointly implemented: (i) monitor the implementation of the district development plans for the three district councils of Koinadugu, Kono and Kailahun; (ii) strengthen Donor/Inter-agency coordination in the district; (iii) facilitate exchange visits between district councils. The implementation of all three activities is currently ongoing. A contract is about to be signed between NPCU and Revenue Development Foundation (RDF) to strengthen the revenue generation capacity of Koinadugu, Kono District, Koidu New Sembehun City Council and Kailahun District. Three Results-Based MOUs between the District Councils and NPCU meant to provide support to the district council are in progress.

30. After the 2012 elections, i) all ward committee members will be provided with a bicycle to facilitate mobility to attend ward committee meetings, and: ii) experience sharing tours will be organized after the MOUs have been signed.

Agreed action	Responsibility	Agreed date
Signature of contracts with 50 additional contractors for construction of ward offices to start	NPCU/PU/DCBU	June, 2012
Design of standard format for preparation of district and ward development plans	DCBU	June, 2012
Preparation of map showing the locations of the completed 50 ward offices and the newly contracted 50 ward offices.	DCBU	May, 2012
Preparation and signature of land agreements for the remaining forty-one ward offices	DCBU/D/Councils	August 2012
Signature of contract between RDF and NPCU	NPCU, RDF	May, 2012.

Component 3: Project Management

M&E, Targeting and Gender

31. **Organization.** For the RFCIP, the M&E function is largely undertaken by the TAA for the output and activity levels and to some extent at outcome level through data on the FSA and CB operations. At the NPCU level, the new M&E team is performing well and further improvements can be made in this area. The team has benefitted from the support of the Gender and Targeting Technical Assistant who focused on these specific areas and worked in collaboration with the Communication Officer. The M&E team has now been reorganised and integrated with gender and targeting to strengthen the cross-cutting links. The new M&E/Gender and Targeting Unit is comprised of a Monitoring and Evaluation Officer and a Monitoring and Reporting/ Gender and Targeting Associate, with technical backstopping from the Gender and Targeting Technical Assistant.

32. The M&E/G&T Unit has been assigned with a vehicle in order to increase their field presence, which would allow them to complement the work of the TAA with a focus on both outcome and impact monitoring.

33. **M&E.** In addition to gender and youth disaggregation, socio-economic disaggregation of data has been done taking into consideration the sectorial distribution of loans into agriculture, cottage industry and micro enterprise to ensure that the target population is reached, although the shareholders segregation on economic activities and outreach in terms of general population with respect of various product and services needs to be integrated into the M&E reporting for FSAs and CBs. Concept papers have also been prepared by the M&E/G&T unit to ensure outcome and impact monitoring of these institutions.

34. The indicators obtained from CBs/FSAs cover institutional performance and outreach indicators but failed to capture the **impact on target groups' incomes and livelihoods**. Since it is not specifically included in the mandate of the TAA, the M&E unit and the Rural Finance Officer of the RFCIP must be in charge of this monitoring. A research methodology has been developed for the baseline to be carried out where the operations of the new FSAs and CBs have not yet started, covering the 2nd and 3rd level indicators. Gender and youth sensitive indicators will be complemented by the ongoing Gender Action Learning System (GALS) process currently being tested in Kenema district (see Gender and Targeting section below), which generates indicators and provides baseline information including gender and poverty aspects.

35. In terms of tools and overall framework, performance indicators of FSAs and CBs have been revised and are now included in the new reporting format. The logical framework has also been updated to include both outcome and impact indicators. (See updated logical framework in Appendix 6).

36. Finally, the TECHPRO M&E software is now operational but there still remain challenges in making it fully functional: (i) the system cannot filter the activities by year; (ii) activities shown in TECHPRO appear to be read only and errors at the initial stage will be difficult to correct; and, (iii) the reporting system at TECHPRO needs to be streamlined.

37. **Targeting and Gender.** The gender sensitization activities have been undertaken under the RFCIP - RCPRP with important progresses made in that area (see

RCPRP aide-mémoire). Besides, the FSA and CB data reflect positive trends in terms of female representation among the shareholders. The COSOP and RFCIP targets related to women and youth should be closely followed-up and mitigation measures developed if needed.

38. As part of the overall RFCIP/RCPRP Gender Action Plan, the Gender Action Learning System (GALS) is assessing the participation of women, men, youth and the poorest community members in rural finance activities and development planning processes, as well as agriculture. This is an ongoing process which enables identification of areas where support is particularly needed in order to better tailor the project approach to meet the needs of target groups. Linked to GALS, a staff capacity building workshop in gender and participatory methods was held which included key staff for rural finance and decentralisation. Staff are developing action commitments for gender mainstreaming, including the development of gender and youth sensitive/targeted products and services.

39. Regarding the targeted activities on youth, disabled and women included in Component 2, they suffer from the absence of a comprehensive strategy. Consequently, a number of interventions are carried on autonomously with no follow-up at outcome and impact level. In order to develop comprehensive action plans for youth and disabled activities, two Capacity and Needs Assessments are being conducted with groups of youth and disabled. This has been completed in 2 districts, with the final two ongoing. Based on the outputs of these assessments, an action planning workshop will be held with key staff for the presentation of results and to develop action plans for youth and disabled with synergised activities for RCPRP/RFCIP (to be completed by September, 2012).

Communication

40. As for the RCPRP, the Communication Officer should further develop the communication strategy in close collaboration with the heads of the component. An assessment of the outreach potential of the target population is needed to ensure the effectiveness and impact of the strategy. The issues of local languages can be addressed through the local radio as suggested by the Communication Officer. If the assessment is positive, opportunities for teaching programmes and complaint mechanism should be discussed with the head of components and M&E unit to propose concrete interventions.

41. According to suggestions, there should be separate, though synergised, Communication Strategies for each project (RFCIP, RCPRP and GEF); each generating specific and comprehensive communication baselines through polling and surveys as a means of benchmarking communication results and value addition to the projects, including attention to the various project target groups. In view of the above, the need is expressed to hire the services of an expert Communication Firm or Individual/Specialist to develop Communication Strategies for the implementation of the three projects under the MAFFS/IFAD NPCU supervision (i.e. RCPRP, RFCIP and GEF).

Agreed action (see also recommendations on M&E in the RCPRP AM)	Responsibility	Agreed date
Establishment of baseline for rural finance	M&E/G&T	August 2012
Impact assessment of FSAs and CBs	M&E/G&T	October 2012
Refresher training on Techpro	M&E/G&T/FC	July 2012
Youth and persons with different abilities capacity & needs assessments and action plans completed.	M&E/G&T Decentralisation Unit	September, 2012
Hire the services of Communication Firm/Individual/Specialist to develop Communication Strategies for RCPRP, RFCIP and GEF	Communications Officer	Immediate

E. Fiduciary Aspects

Financial and administrative management

42. The Financial and Administrative Department of the NPCU has implemented nearly 70% of the recommendations on fiduciary aspects issued in November 2011 during the last supervision mission. In addition, high-level management reviews (including monthly financial management reports) have contributed to increase the level of control over financial information. Finally, the Human Resources and Administrative functions are now well-established, providing solid grounds for strong organization and efficient administration of the projects. As a result, the overall quality of the NPCU's financial and administrative management has considerably improved, and this progress must be consolidated over the next few months.

Financial Management

43. The focus of the NPCU Finance team in the coming months should be on:
- Increased interaction with technical staff to better anticipate decisions and manage actions related to budgets, procurement and disbursements.
 - Improvement in the monitoring of execution of the procurement plan.
 - Improvement in the monitoring of the treasury situation (through strict use of the Direct Payment modality, regular submission of WAS, and realistic cash forecasts).
 - Improvement of the monthly accounts closing with justification of all accounts.
 - Proper monitoring of financial commitments using TOMPRO.
 - Finalization of the revision of the procedures manual and full application by all staff.
 - Fine-tuning of the TOMPRO software package (including the procurement module), finalization of the reports design and full interfacing between the accounting, the procurement and the M&E modules.

Administrative Management

44. The emphasis in terms of HR and administrative management should be on:
- Performance Evaluation System: setting more meaningful/qualitative criteria in the PES; ensuring that performance evaluations are also conducted for the Office Attendants, VSOs and all consultants; increasing the minimum qualifying grade for the annual bonus to 75/100; and including all NPCU staff in the bonus scheme.
 - Assets: tagging of all assets held by IPs and inclusion in the NPCU assets registers; conduct of full physical inventory at all NPCU locations and IPs by the accounting staff, in accordance with procedures described in the manual.
 - Vehicles: carefully analyzing the monthly fuel consumption reports to detect/investigate errors and quickly correcting them; strictly controlling vehicle expenses through regular analysis of fuel consumption and repairs logs
 - Travel: ensuring proper use of travel authorizations for all travel paid from NPCU funds (including proof of travel and signed back-to-office reports).

Annual Work Plan and Budget

45. The budget is now monitored on a monthly basis as part of the monthly financial report produced by the Financial Controller. As at 30/04/12, 62% of RFCIP's 2012 AWPB has been executed, as shown in the table below (amounts in USD)⁴:

⁴ Actuals for 2012 include financial commitments.

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	COMPONENTS			
	A. Access to rural financial services	B. Support to Community Development	C. Program Management	TOTAL
2009 (12 months)				
2009 Budget	1 418 384	151 950	343 765	1 914 099
2009 Actuals	554 710	64 142	313 036	931 888
% execution	39%	42%	91%	49%
2010 (12 months)				
2010 Budget	2 365 760	-	319 130	2 684 890
2010 Actuals	1 702 780	13 490	429 210	2 145 480
% execution	72%	-	134%	80%
2011 (12 months)				
2011 Budget	3 536 070	423 850	605 988	4 565 908
2011 Actuals	3 114 242	312 554	278 152	3 704 948
% execution	88%	74%	46%	81%
2012 (4 months)				
2012 Budget	1 821 370	657 070	263 220	2 741 660
Jan-April 2012 Actuals	1 342 396	274 953	82 508	1 699 857
% execution	74%	42%	31%	62%

For 2011, the high execution rate reflects the high level of achievement of program targets, as well as activities not initially included in the budget (construction of the TAA building under Component A and of 50 ward committee offices under Component B). For 2012, the execution rate is very high for Component A (mostly due to the unbudgeted refinance facility provided to the BoSL) and is in line with expected achievements for Components B and C.

Disbursement

Treasury situation

46. The project has experienced some cash shortages during the last 6 months, due to (i) unrealistic cash forecasts, not properly taking into account the WA processing time (6 to 8 weeks on average), and (ii) payments made from the special account that should be direct payments from IFAD. More tension in the treasury situation is anticipated as the grant funds are nearly exhausted (see available balance in paragraph 47), while 5 withdrawal applications totaling USD 959 614 are outstanding as at 30/04/12 (WA #68 at IFAD, WA #76 at MOFED and WAs #73/74/75 at the NPCU). The mission recommends that, if necessary and until the top-up funds become available, the SCP-GAFSP provide a cash advance to RFCIP.

IFAD disbursements

47. The status of the IFAD grant disbursements as of 16 May 2012 is shown in the following table (amounts in SDR):

Cat	Description	Grant Allocation	Cumulative disbursements to date (WA 1-72)*	% disbursement	Available balance
I	Civil Works	787 000	900 403	114%	-113 403
II	Service Provider contracts	2 154 000	1 957 991	91%	196 009
III	Vehicle, Office Furniture, Equipment, Materials	178 000	169 328	95%	8 672
IV	Short term consultants	365 000	261 196	72%	103 804
V	Surveys and studies	42 000	1 633	4%	40 367
VI	(i) Refinance Facility	600 000	600 000	100%	0
	(ii) Share Capital	170 000	70 386	41%	99 614
VII	Community Development Fund	1 150 000	155 675	14%	994 325
VIII	Salaries & allowances	275 000	268 731	98%	6 269
IX	Operation and maintenance (i) Office				

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	(ii) Vehicles	70 000	79 931	114%	-9 931
		73 000	77 771	107%	-4 771
X	Unallocated	86 000	-	-	86 000
	Advance of Funds	-	958 673	-	-958 673
	TOTAL	5 950 000	5 501 718	92%	448 282

* Except for WAs 5, 10 and 62, which were cancelled, and WA 68, which is not yet reimbursed.

48. After 4 years (equivalent to 65%) of program implementation, RFCIP has already disbursed 92% of grant funds. This impressive disbursement rate is in line with the level of achievement of the program's physical targets of 95% (see Section C). Category I is already overdrawn due to the TAA building construction and the rehabilitation of the rescue CBs buildings, which were not initially budgeted. Consequently, and in agreement with the government, the TAA costs will be co-financed between RFCIP and the SCP-GAFSP RFCIP component. Expenditures related to the operation of the TAA, the FSAs and the CBs (Categories II and IV) will now be charged to the SCP-GAFSP, since most of their activity relates to the SCP-GAFSP. Activities remaining under Category VII include ward committee office buildings and training to wards and district officials. Any expenditures on Categories III and IX will be charged to RCPRP and/or the counterpart account from now on.

49. In order to allow the program to complete its activities, IFAD approved a top-up funding of USD 2.1 million in April 2012. The corresponding financing agreement will only become effective after signature by both parties and, if required⁵, ratification by the parliament of Sierra Leone. The top-up funds will not become available until the end of June at the earliest.

50. Given the fact that RFCIP has exceeded its set objectives in terms of FSAs, CBs and the TAA, the Government of Sierra Leone is requesting IFAD to transfer the unallocated funds from the initial grant to Category I. The mission would like to stress the necessity for the NPCU to carefully manage program funds from now on (both in terms of actual disbursements and financial commitments), and in particular to ensure that:

- 1) Total disbursements do not exceed the overall grant allocation, including the top-up funds (approximately USD 11 million in total), and
- 2) Disbursements in any category do not exceed the category allocation by more than 30%.

Withdrawal applications

51. The NPCU continues to prepare withdrawal applications on a regular basis, and delays in the review process at the MOFED level as observed during the October 2011 supervision mission have been considerably shortened. However, it is recommended that the NPCU better integrates the average duration of the review cycle (MOFED and IFAD) in its treasury plan in order to avoid treasury tensions. The automated production of WAs from TOMPRO, which was initiated in August 2011, resulted in a notable reduction of errors, and an overall amelioration in the quality of withdrawal applications.

52. The NPCU has submitted 9 WAs since the last supervision mission, 7 of which were for the replenishment of the Special Account. These WAs were reviewed in detail and the Statements of Expenditure were tested on a sample basis. The review of WAs revealed the following issues:

- Payments of DSA are not systematically supported by adequate documentation such as the original travel authorization (with signature of officials visited) and a signed back-to-office Report (BTO).
- Some documents such as Transaction Vouchers and Bid Reports are amended by hand and amounts are modified.
- Payment of salaries to NPCU staff (based on payroll statements) are not supported by signed pay slips.

⁵ In case ratification is not required, the Ministry of Finance and Economic Development will need to send written confirmation to IFAD.

- Small purchases (goods, works, services) are systematically processed on the basis of Petty Cash requests rather than local purchase orders.
- Some item descriptions are unclear or inaccurate. This is partly due to space constraints in the description field with the current version of TOMPRO and should be resolved with the new version to be issued in 2012.

53. The mission recommends that the NPCU:
- Ensure travel documentation and/or BTO are systematically attached to DSA payment files.
 - Integrate pay slips to the monthly payroll.
 - Better respect the integrity of signed documents and issue a new original whenever corrections are necessary.

Reconciliation of Special Account

54. The Special Account reconciliation for RFCIP as of 30/04/12 is shown below (amounts in USD):

Initial deposit (A)	1 500 000	
USD Special Account Bank balance at 30/04/12		298
Leone Operations Account Bank balance at 30/04/12 (Le 83 028 963)		19 422
Cash on hand (NPCU, Kono DPCU and Kailahun DPCU petty cash – Le 14 193 500)		3 320
Current WA (#76)		201 789
WAs submitted but not yet paid by IFAD (WAs #67, 68, 69, 71, 72 and 73)		1 318 571
Bank interest (from Rokel Commercial Bank)		(1 313)
Subtotal (B)		1 542 087
Difference (C) = (A) - (B)	(42 087)	
Explanation		
Old (2008-2010) expenditure to be reimbursed from Counterpart funds	53 536	
Pre-financed expenditure (5% of Category IX(ii)) to be reimbursed from Counterpart funds	6 304	
	890	
GST charge on Operations and Special Account (to be reversed by the Bank when exemption certificate is received)	386	
Net amount underpaid by IFAD on WAs 25 and 41	(100 114)	
Outstanding checks (Le 338 641 194 + USD 20 900)	(3 089)	
Exchange rate differences		

55. The NPCU prepared an analysis of the exchange rate differences on the FiB Operations account (opened in January 2010) and the Rokel Operations account (in use from program start until January 2010). However, these documents were submitted to the mission at the last minute and could not be verified. It is therefore not possible to conclude as to whether the Special Account is fully justified or not. Notwithstanding, the mission recommends that the NPCU continue monitoring the exchange rate differences on a monthly basis.

Counterpart funds

56. The situation with regard to amounts allocated vs. amounts received is as follows (amounts in Leones):

	2008	2009	2010	2011	2012
Amount requested	75,000,000	0	518,375,000	200,000,000	205 000 000
Less: Amount received ⁶	75,000,000	0	393,922,760	100,000,000	0
Amount outstanding	0	0	124,452,240	100,000,000	205 000 000
Cumulative amount outstanding (in USD)	0	0	29 112	52 503	100 457

The mission recommends that outstanding balances be paid by the GoSL as soon as possible to allow for reimbursement of amounts due to the Special Account (see paragraph 54) and to cover for GoSL share of program expenditure.

⁶ For 2010 and 2011, amounts received could not be verified, as the NPCU is not receiving bank statements.

57. The reconciliations of the counterpart bank account since 2009 were all completed at once in April 2012; it should be noted that the disbursements from this account were not recorded in the books on a regular basis during the past year.

Loan covenants

58. See results of the review of RFCIP's compliance to grant covenants in Appendix 4.

Procurement

Implementation of procurement plans

59. The procurement plans are not input into the TOMMARCHE system (procurement module of the TOMPRO software package) due to the fact that the system requires a perfect match between the line items in the plan and the actual procurement process. There was no monitoring of the procurement plan execution on Excel either. As a result, for the year 2011, the NPCU Procurement Unit was not able to produce the approved procurement plan with the status of execution of the planned procurement. Furthermore, no information was provided on the procurement of consulting services in 2011. The schedule of completed procurement produced by the TOMMARCHE system shows total execution of USD 1 469 494, which should correspond to 70% of the approved 2011 procurement plan (excluding consulting services).

60. For the year 2012, the approved procurement plan amounts to USD 969 600, of which USD 68 950 or 7% was executed as of 30/04/12, exclusively in goods (essentially furniture and equipment for FSAs). In addition, works contracts amounting to USD 341 142 (for the construction of ward committee offices) have already been awarded and are awaiting signature, which will bring the execution rate to 42%.

Procurement process

61. 18 out of 53 post review procurement cases for 2011 and 4 out of 7 for 2012 were tested to determine whether applicable procurement rules and procedures were followed. The mission noted a big improvement in the filing of procurement documents. The following issues were noted on the items tested:

- Errors on the bid prices reported on the evaluation report were found in 3 cases (with no effect on the ranking and the final award)
- The full contract date was not indicated in a few cases
- In one case, an error was noted on the contract price and the contract copy in the file was not signed by the Program Coordinator
- In one case the winning bidder submitted an expired NRA certificate.

Recommendations are issued to the NPCU accordingly.

Audit

62. The audit of the 2011 financial statements is still ongoing and field work is expected to be completed by the end of the month. The mission has reminded the NPCU that the submission of the final audit report to IFAD is required by 30 June 2012.

63. One (out of three) 2010 audit recommendation has been implemented (installation of an appropriate accounting software). The remaining two (payment of GoSL contribution and quantification of beneficiaries' contributions) were already raised by the IFAD supervision missions and are still outstanding.

Recommendations

64. The main recommendations made by the mission for the fiduciary aspects of project implementation and management are listed in the table below:

Agreed action	Responsibility	Agreed date
1. Close monitoring of disbursements and commitments to avoid exceeding total grant amount and 130% disbursement rate for each cost category	Financial Controller	Continuous
2. Transfer unallocated funds to the Civil Works cost category	IFAD	June 2012
3. Co-financing of TAA costs between RFCIP and the SCP-GAFSP RFCIP component	NPCU	Immediate
4. Improvement in monitoring of execution of the procurement plan	Senior Procurement Officer	Immediate
5. Proper monitoring of financial commitments using TOMPRO	Financial Controller	September 2012
6. Review of the performance evaluation criteria and modalities	Human Resources Officer	Immediate
7. Pay outstanding counterpart contribution	MOFED	Immediate
8. Installation of the latest version; fine-tuning of the TOMATE software applications and fully exploit interfaces with the M&E system	Financial Controller	September 2012

Detailed recommendations on financial and administrative management are listed in Appendix 2.

F. Sustainability

65. Among the objectives of the project is empowerment of communities to participate in and benefit from community-based planning and implementation and develop institutional capacity to support them in their endeavours. This objective is consistent with the principle of community ownership of CBs and FSAs. To achieve this end the CBs and FSAs will have to as early as possible assume responsibility for some expenditure by CBs and FSAs. The emerging uptrend in profitability and operational self sufficiency of CBs and FSAs point to the readiness to begin to assume some level of costs to kick in an exit arrangement. The strategy should incorporate an incentive based transfer of operational costs (running costs, salary, board allowances, stationery) over a period. A package of incentives to consider are, opportunity for refinance facility coupled with an inducement for board members and staff. The grant of refinance facility will call for enhanced monitoring for early identification of incipient risks (credit and liquidity) that could endanger the institutions. Consideration should be given to hiring some more auditors and improving information flow.

66. The proposed cut back on the set up and running costs of CBs should enhance operational self-sufficiency and profitability.

Agreed action	Responsibility	Agreed date
Enter in MOA with each FSA and CB to benefit from RFCIP	NPCU/TAA	Immediate
Insert in FSA and CB exit strategy and start implementation where possible	NPCU/TAA	June 2012

G. Conclusion

67. RFCIP has performed extremely well these past 4 years and as of today, the overall progress of the RFCIP followed an outstanding trend with around 95 % of its objectives already reached and an overall disbursement rate of 92%. Significant improvement have been noticed in both, operational and fiduciary aspects, thanks to relevant adjustments in the different institutional models implemented, committed and professional teams and a supportive national environment.

68. The high level of disbursement will nevertheless require a daily and rigorous budget monitoring by the NPCU in order to ensure (i) no commitment superior to the RFCIP total amount approved of the SDR 5.95 million grant (including control of the exchange rate) and (ii) no overdraw per category superior to 130 % (necessity of an amendment of the financing agreement).

69. The USD 2,15 million top up approved by IFAD Board in April 2012 should be sufficient to financially join the additional fund that will be provided by the RFCIP 2. This financing is not expected before July 2013.

70. Consequently and in order not to anticipate potential treasury problems in the coming weeks, GoSL agreed with the MTR to (i) fast track the effectiveness of the RFCIP USD 2.15 million top up, (ii) implement the RFCIP exit strategy with FSAs and CBs where possible and (iii) co-finance the TAA development between RFCIP and SCP GAFSP funding.

71. Moreover, the pending RFCIP outstanding counterpart fund equivalent to USD 100 467 will have to be paid by the GoSL before end of June 2012 to avoid suspension of the project.

72. Finally, RFCIP will develop, in synergy with RCPRP a pilot on the agricultural financing to ensure impact not only on poverty but also on Sierra Leone agriculture development and the results will be used by the RFCIP 2 design mission planned beginning of June 2012.

73. Again, the mission wishes to extend its sincere gratitude to the MAFFS, MOFED, BoSL and all stakeholders for their involvement and contribution in this mission.

Appendices and Annexes

- Appendix 1 Summary of project status and ratings
- Appendix 2 Summary of key actions to be taken with agreed timeframes
- Appendix 3 Financial: Actual financial performance by financier; Disbursements by category and by component
- Appendix 4 Compliance with financing agreement covenants: Status of implementation
- Appendix 5 Physical progress measured against APWB, including RIMS indicators
- Appendix 6 Updated logical framework indicating progress against objectives, outcomes and outputs

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Appendix 1: Summary of project status and ratings

Project 1310 [873] Rural Finance and Community Improvement Programme

Basic Facts

Country	Sierra Leone		Project ID	1310	Loan/DSF Grant No.	873
Project	Rural Finance and Community Improvement Programme				Supp. Loan/DSF Grant	8001
Date of Update	21-Jun-2012				Financing terms	D
Supervising Inst.	IFAD/IFAD					
No. of Supervisions	7	No. of Implementation Support/Follow-up missions	3			
Last Supervision	09-Nov-2011	Last Implementation Support/Follow-up mission	14-Mar-2011			

USD million Disb. rate %

Approval	18-Apr-2007			Total costs	13.06	
Agreement	25-Jun-2007	Effectiveness lag	13.6	IFAD Total	12.03	
Effectiveness	30-May-2008	PAR value	-----	IFAD loan	1.07	
MTR	24-May-2012			DSF grant	10.96	97
Current completion	30-Jun-2014	Last Amendment	03-Nov-2009	IFAD grant		
Current closing	31-Dec-2014	Last Audit	28-Jun-2011	Domestic Total	1.02	
No. of extensions	0			Beneficiaries	0.51	0
				Government (National)	0.51	0
				Cofinancing Total		

Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	4	4	1. Quality of project management	4	4
2. Acceptable disbursement rate	5	6	2. Performance of M&E	3	3
3. Counterpart funds	5	3	3. Coherence between AWPB & implementation	5	4
4. Compliance with loan covenants	4	3	4. Gender focus	5	5
5. Compliance with procurement	4	5	5. Poverty focus	4	4
6. Quality and timeliness of audits	4	4	6. Effectiveness of targeting approach	4	4
			7. Innovation and learning	4	4

B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Programme Management	4	5	1. Institution building (organizations, etc.)	4	5
2. Support to Community Development	5	5	2. Empowerment	4	4
3. Access to Rural Finance	5	5	3. Quality of beneficiary participation	4	4
			4. Responsiveness of service providers	5	5
			5. Exit strategy (readiness and quality)	5	5
			6. Potential for scaling up and replication	5	5

B.5 Justification of ratings

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Overall Assessment and Risk Profile

		Last	Current
C.1	Physical/financial assets	4	4
C.2	Food security	4	4
C.3	Overall implementation progress (Sections B1 and B2)	4	5
<p>Rationale for implementation progress rating The overall progress of the RFCIP follows a very positive trend, and at just after mid-term, 95% of objectives have been already reached, with an overall disbursement rate of 97%.</p>			
C.4	Likelihood of achieving the development objectives (section B3 and B4)	4	4
<p>Rationale for development objectives rating Since the portfolio restructuring in January 2009, the project activities have been implemented, and the results achieved so far in terms of activities in the field are satisfactory and in compliance with the expected results and objectives. Through the rural finance component, 45 rural financial institutions (ie. 36 FSAs and 9 CBs; note that a further 4 CBs are ready and waiting for BoSL licensing) are fully functional with quality management and financial performance, offering financial services to over 50,000 ongoing shareholders. Furthermore, discussions are ongoing amongst stakeholders regarding the establishment of the apex body, to serve the agricultural sector. With respect to the community development component, a stronger commitment to strengthen implementation of activities is indicating that the achievement of objectives are well on track, and are coordinated and in synergy with activities ongoing under RCPRP.</p>			
C.5	Risks <i>Short description of major risks for each section and their impact on achievement of development objectives and sustainability</i>		
	Fiduciary aspects	The high level of disbursement will require rigorous budget monitoring by the NPCU in order to ensure (i) no commitments superior to the RFCIP total amount approved of SDR 5.95 million; and (ii) no overdraw per category superior to 130% (this necessitates an amendment to the financing agreement). Furthermore, in an effort to anticipate any treasury problems, IFAD and the government agreed to fast track the effectiveness of the RFCIP top up (US\$2.15 million), implement the RFCIP exit strategy, and co-finance the TAA development between RFCIP and SCP-GAFSP.	
	Project implementation progress	No major issues at this stage.	
	Outputs and outcomes	The 36 Financial Services Associations (FSAs) operational and functioning as well as the 13 Community Banks (CB) supported in rural areas have demonstrated impressive improvement both in terms of management and financial performance. As of today, FSA and CB have a combined total of over 50,000 shareholders. The total loan outstanding from FSAs and CBs is approximately US\$2.3 million, to approximately 15,000 active loan clients. The average PAR of the 36 FSAs is 4.12%, for the 3 new CBs the PAR is 0%, and for the restructured CBs, the PAR has decreased to 9%. The financial ratios for FSAs have also been assessed as high enough for the more established FSAs to progressively finance their running costs and for the project to initiate the exit strategy.	
	Sustainability	Among the objectives of the project is empowerment of the communities to participate in and benefit from community-based planning and implementation and develop institutional capacity to support them in their endeavours. This objective is consistent with the principle of community ownership of CBs and FSAs. The emerging uptrend in profitability and operational self sufficiency of CBs and FSAs point to the readiness to begin to assume some level of costs to kick in an exit arrangement. The strategy should incorporate an incentive based transfer of operational costs (running costs, salary, board allowances, stationery) over a period. A package of incentives to consider are, opportunity for refinance facility coupled with an inducement for board members and staff. The grant of refinance will call for enhancement monitoring for early identification of incipient risks (credit and liquidity) that could endanger the institutions. Consideration should be given to hiring some more auditors and improving information flow. The proposed cut back on the set up and running costs of CBs should enhance operational self-sufficiency and profitability.	

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Proposed Follow-up

Issue / Problem	Recommended Action	Timing	Status
Improve the impact of the RFCIP	Make effective the USD 1 million Refinance Facility that should boost the capacity to deliver loans to the beneficiaries and create impact of FSAs and CBs as demonstrated by the pilot.	Immediate	On-going
Improve the sustainability of FSA and CB	Develop a strategic concept paper showing how synergies between agriculture, rural finance and decentralization will be implemented within RCPRP, SCP-GAFSP and RFCIP. In synergy with RCPRP, develop a pilot on agricultural financing to ensure systematic contribution to impact on poverty and agricultural development.	Immediate	On-going
Scaling up RFCIP	Given the strong performance of RFCIP and government's interest in scaling up the process and approach to rural finance, a second phase programme will be designed, consolidating achievements and developing an apex body.	June 2012	On-going
Counterpart funding	At present, the outstanding counterpart funds (equivalent to US\$ 100,467) will have to be paid by the GoSL by 30 June 2012, so as to avoid suspension of the project.	Immediate	Pending

Additional observations

RFCIP should carefully monitor the 2012 budget and ensure a strong and monthly follow up of disbursement and commitment in order not to overspend on categories.

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Appendix 2: Summary of key actions to be taken with agreed timeframes

Action Area	Action Agreed	Date	Whom
<i>Fiduciary Aspects</i>	1. Close monitoring of disbursements and commitments to avoid exceeding total grant amount and 130% disbursement rate for each cost category (this involves verification of funds availability in cost categories at AWPB preparation stage and before each financial commitment; monitoring of disbursement rates per category on a monthly basis)	Continuous	Financial Controller
	2. Transfer unallocated funds to the Civil Works cost category	June 12	Financial Controller
	3. Co-financing of TAA costs between RFCIP and the SCP-GAFSP RFCIP component	Immediate	NPCU
	4. Increased interaction of finance staff with technical staff to better anticipate decisions and manage actions related to budgets, procurement and disbursements	Continuous	Financial Controller and Senior PO
	5. Improvement in the monitoring of the treasury situation through more realistic cash forecasts, taking into account MOFED and IFAD actual processing delays for WAS	Immediate	Financial Controller
	6. Strict application of the Direct Payments threshold to avoid depleting the Special Account	Continuous	Financial Controller
	7. Implementation of the full monthly account closing procedure as described in the manual, using the checklist provided by the mission as a guide	Immediate	Financial Controller
	8. a- Installation of the latest TOMPRO version (including multi-entity feature and increased description field) b- Fine-tuning of TOMPRO software (see detailed report provided by the mission to the NPCU) c- Proper monitoring of financial commitments using TOMPRO software d- Implementation of TOMPRO fixed assets module (interfaced with Accounting module) e- Interfacing of TOMPRO with Procurement (TOMMARCHE) and M&E (TECHPRO) modules f- Finalization of report design (including all WA form according to IFAD formats)	September 12	Financial Controller
	9. Finalization of financial & administrative procedures manual revision and full application by all staff	June 12	Financial Controller
	10. WA processing: a- clear and accurate descriptions for expenditure claimed b- Issuance of new original documents (e.g. vouchers and bid reports) instead of amending amounts by hand c- Systematic use of local purchase orders for small purchases d- Issuance of pay slips to support salary payments	Continuous	Financial Controller
	11. Record transactions from Counterpart funds in the accounts as and when they occur	Continuous	Financial Controller
	12. Special Account reconciliation: a- Calculation and justification of exchange rate differences on a monthly basis (schedule to be attached to WA) b- Reimbursement of GST on bank charges by counterpart funds c- Reimbursement of old "undaimed" items (total of USD 53 536) to Special Account from counterpart funds	Continuous Immediate Immediate	Financial Controller
	13. Regular monitoring and prompt settlement of outstanding inter-account balances (this practice should be avoided as much as possible)	Continuous	Financial Controller
	14. Counterpart Funds: a- Payment of outstanding counterpart contributions b- Monthly reconciliation of counterpart account by NPCU	Immediate Continuous	MAFFS Financial Controller
	15. Finalization of valuation of beneficiaries and GoSL in-kind contributions and inclusion as a note to financial statements	September 12	Financial Controller
	16. Procurement: a- Inclusion of bidding documents and evaluation reports in each procurement file b- Monitoring of execution of the approved procurement plan on a monthly basis both on Excel and TOMMARCHE c- Indication of contract numbers (as in contract register) and full dates on the signed contracts d- Reinforcement of quality control by SPO and Financial Controller to avoid errors on procurement documents e- Modification of TOMMARCHE procurement plan to match NPCU requirements	Immediate Continuous	Senior Procurement Officer and Financial Controller

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f- Fine-tuning of TOMMARCHE procurement software			
Action Area	Action Agreed	Date	Whom
<i>Fiduciary Aspects</i>	17. Human Resources Management: a- Inclusion of a checklist of standard content (as per procedures manual) in each individual personnel files b- Set more meaningful/qualitative criteria in the performance evaluation forms c- Extend performance evaluation exercise to Office Attendants, Consultants and VSOs d- Increase minimum score for bonus qualification to 76/100 and include Drivers and Office Attendants in the bonus scheme e- Finalization of NPCU photo-directory f- Resolution of conflict with ex-TAA Manager (Mr. Massaquoi)	Immediate	Human Resources Officer Financial Controller
	18. Fixed assets: a- Input of all assets into the NPCU assets register, including those held by IPs b- Tagging of all program assets including those held by IPs c- Annual physical inventory of assets at NPCU/DPCUs/IPs by Accountants at NPCU and DPCUs; reconciliation of inventory lists with assets register and investigation of differences	July 12 December 12	HRO/FC/Project Coord. Human Resources Officer Accountants
	19. Prompt investigation of errors/unusual items arising from monthly fuel consumption reports; strict control of vehicle expenses through regular analysis of fuel consumption and repairs logs	Continuous	Human Resources Officer
	20. Verification of travel: inclusion of proof of travel (signature of officials visited for in-country travel and boarding passes for international travel) and signed back-to-office reports for all travel paid from project funds	Continuous	Financial Controller

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Appendix 3: Financial: Actual financial performance by financier; by component and disbursements by category⁷

Table 3A: Financial performance by financier (At 30 April 2012)

Financier	Appraisal (USD '000)	Disbursements (USD '000)	Per cent disbursed (1)
IFAD loan	-	-	-
IFAD grant	9 883	9 371	95%
Co-financier	-	-	-
Beneficiaries (2)	514	0	-
Government	509	131	26%
Total	10 906	9 502	87%

(1) Disbursement rate on IFAD grant is 92% based on current exchange rates.

(2) Beneficiary contributions have not been valued and recorded by the NPCU.

Table 3B: Financial performance by financier by component (USD '000), as at 30 April 2012

Component	IFAD grant (3)			Co-financier			Government			Beneficiaries			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
A. Access to rural financial services	6 084	6 346	104	-	-	-	236	14	6	376	0	-	6 696	6 360	95%
B. Support to Community Development	2 833	534	19	-	-	-	223	0	-	138	0	-	3 194	534	17%
C. Program Management (4)	966	991	103	-	-	-	50	117	234	0	0	-	1 016	1 108	109%
Advance of Funds	-	1 500	-	-	-	-	-	-	-	-	-	-	-	1 500	-
TOTAL	9 883	9 371	95	-	-	-	509	120	24	514	0	-	10 906	9 502	87%

(3) The figures in this table were derived from the IFAD status of funds schedule, using a SDR to USD exchange rate of 1.7 (from appraisal documents).

Actual amount under IFAD Grant includes the USD 1 500 000 initial advance of funds.

(4) Appraisal amount includes physical and price contingencies totaling USD 582 351

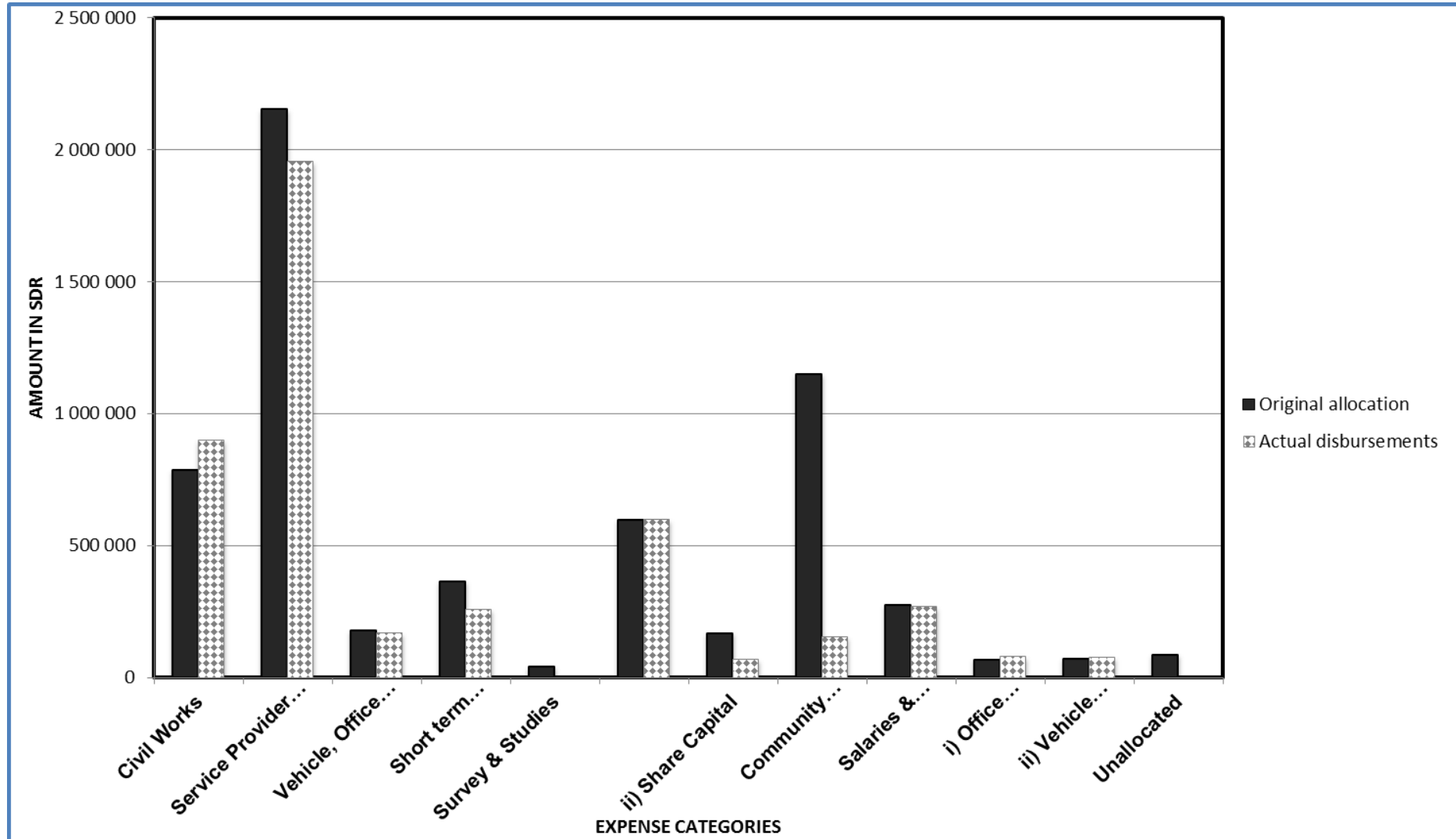
⁷ Data compiled by NPCU.

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Table 3C: IFAD loan disbursements (SDR, as at 16 May 2012) – From IFAD LGS reports

Category	Category description	Original allocation	Revised allocation	Disbursements	Balance	Percent disbursed
I	Civil Works	787,000	-	900 403	(113 403)	114%
II	Service Provider contracts	2,154,000	-	1 957 991	196 009	91%
III	Vehicle, Office Furniture, Equipment, Materials	178,000	-	169 328	8 672	95%
IV	Short term consultants	365,000	-	261 196	103 804	72%
V	Surveys and studies	42,000	-	1 633	40 367	4%
VI.1	(i) Refinance Facility	600,000	-	600 000	0	100%
VI.2	(ii) Share Capital	170,000	-	70 386	99 614	41%
VII	Community Development Fund	1,150,000	-	155 675	994 325	14%
VIII	Salaries & allowances	275,000	-	268 731	6 269	98%
	Operation and maintenance					
IX.1	(i) Office	70,000	-	79 931	(9,932)	114%
IX.2	(ii) Vehicles	73,000		77 771	(4,771)	107%
X	Unallocated	86,000	-	-	86,000	-
	Advance of Funds	-	-	958 673	(958,673)	-
	TOTAL	5,950,000	-	5 501 718	448 282	92%

Figure 1: IFAD loan/grant disbursement, comparisons between original allocation and actual disbursement



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Appendix 4: Compliance with financing agreement covenants: Status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Section 2.03	Opening of a Grant Bank Account in USD	Signature of agreement	Done	Denominated "USD Special Account"
	Deposits to Grant Bank Account in accordance with AWPBs	Continuous	Done	Deposits based on withdrawal applications
Section 3.02	Submission of AWPB each year to IFAD for approval	Annual	Done	Deadline of 30 th November 2010 not met
Section 3.03	Opening of Programme Account in Leone	Start of project	Done	Called Counterpart Account
	Initial deposit of USD 25,000 Counterpart Funds for first 2 years	Id.	Done	
Section 3.04	Transfer of annual GoSL counterpart funds in accordance with AWPB	Annually in advance	Not done	See aide-memoire section on Counterpart funds
Section 4.02	Submission of semi-annual and annual progress reports to IFAD	Twice a year	Done	
Section 4.03	Mid Term Review (MTR) carried out jointly by Recipient and IFAD	November 2011	Done	Completed in May 2012
Section 4.04	Submission of completion report	31/12/14		
Section 5.01	Submission of annual financial statements to IFAD	2 months after year end	Not done	
Section 5.02	Appointment of auditors by Recipient for each fiscal year	Not specified	Done	King Walker & Assoc. appointed for 2009, 2010 and 2011 audits
	Submission of audit reports to IFAD each year	30 th June	Done	
Schedule 2	Signature of subsidiary agreement between BoSL and MOFED	Disbursement condition for Category VI	Done	
Schedule 3	Amendment of National Project Steering Committee	Project effectiveness	Done	
Section I	Integration of RFCIP activities into existing NPCU	id.	Done	
	Establishment of Kabala FCU	Not specified	Done	Following RCPRP MTR, Kabala FCU was closed 4 DPCUs operate in Kono, Kailahun, Koinadugu and Kenema Staff transferred to DPCUs in March 2009
	Recruitment of staff for FCU	Not specified	Done	
	Amendment of PIM and submission to IFAD's approval	Project effectiveness	Done	
	Establishment of DPCCs, WDC and VDC in each participating district	Not specified	Done	
	Establishment of BoSL financing agreements for each CB and FSA	Ongoing	Not done	To be completed as FSAs and CBs are established
Schedule 3	Insurance of programme staff against health and accident risks	Upon recruitment	Done	Health insurance policy started 01/02/10
Section II	Allocation of all vehicles and equipment for programme implementation	Continuous	Done	3 vehicles allocated to MAFFS
	Recruitment of programme staff on competitive/transparent basis	Continuous	Done	
Schedule 4	Procurement of goods, works and services in accordance with the procedures laid out in Schedule 4	Continuous	Done	See aide-mémoire section on Procurement

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Status of Implementation of Recommendations from November 2011 Supervision Mission

Action Area	Action Agreed	Date	Whom	Progress at 25/05/12
<i>Fiduciary Aspects</i>	1. Operation of the bank accounts jointly by the Program Coordinator and the Financial Controller (with no intervention from MAFFS officials except in case of absence of the PC or FC)	Immediate	MAFFS	Done
	2. Monthly closing of accounts in accordance with procedures manual	Continuous	Financial Controller	Partially done (not 100% as per manual)
	3. Production of summary financial reports (budget-to-actual statements, disbursement reports, implementation of procurement plan, cash situation and forecast) after month-end closing	Continuous	Financial Controller	Done
	4. Implementation of a full budget monitoring system (including monthly budget-to-actual statements and variance analysis by AWPB activity and by cost category)	Immediate	Financial Controller	Done
	5. Close monitoring of recurring costs (salaries, allowances and operating costs) on a line item and monthly basis	Immediate	Financial Controller	Partially done (no variance analysis)
	6. a- Finalization of 2012 AWPB and procurement plan (including full documentation of bases for cost estimates) b- Materialization of IFAD approval by providing a signed copy of AWPB and PP	December 11 January 12	Program Coordinator IFAD CPM	Partially done (cost estimates bases not documented) Not done-approval copied to FM Specialist
	7. Verification of funds availability in cost categories at AWPB preparation stage and before each financial commitment; monitoring of disbursement rates per category on a monthly basis	Continuous	Financial Controller	Done since 2012
	8. Drafting of proposal for re-allocation of funds during the upcoming midterm review	February 12	Financial Controller	Not necessary
	9. Implementation of a proper cash management and monthly cash forecasting system with weekly updates	Immediate	Financial Controller	Done, but needs improvement
	10. Submission of complete reporting packages by DPCUs (cash reconciliation, statement of expenditures, supporting documents and TOMPRO journal) by the 3 rd of each following month, and thorough review by NPCU Finance team	Continuous	Financial Controller	Done
	11. Advances to TAA, FSAs and CBs: a- Monitoring of staffing situation (including contracts and salary levels) b- Provision of funds for payroll and running costs on a monthly rather than quarterly basis c- Verification of payroll statements, signed pay slips and expenditure reports (for running costs) d- submission of related claims on WAs based on actual expenditure (with related supporting documents) rather than cash advances	Continuous	Human Resources Officer Financial Controller	a. Done b. Done c. Done (no pay slips) d. Done
	12. Fine-tuning of TOMPRO software (see detailed report provided by the mission to the NPCU) and finalization of report design	January 12	Financial Controller	Not done
	13. Full revision of financial & administrative procedures manual	November 11	Financial Controller	Currently on-going
	14. Withdrawal Applications: a- Preparation of WAs for all outstanding expenditures to meet IFAD WA processing deadline of 30 November 2011 b- Correction of WAs in which claims were based on advances rather than actual expenditures; c- Submission of claims for reimbursement by IFAD based on actual expenditure (rather than advances) d-Verification of proper supporting documents for each claim included in the WAs e-Maintenance of complete WA files including WA checklist (IFAD form 105, Special account reconciliations with supporting documentation, and contract registers)	November 11 December 11 Continuous	Financial Controller	a. Done b. Done (WAs not modified, but ensured that all advances were retired) c. Done d. Done e. Done (supporting documents not attached but better filed)
	15. Waiver of the withdrawal application (WA) review by the MOFED review committee	Immediate	MOFED	MOFED review delays have reduced
	16. Special Accounts: a- Correction of Special Account reconciliations and verification by auditors during 2011 audit b- Calculation and justification of exchange rate differences on a monthly basis (schedule to be attached to WA) c- Reimbursement of GST on bank charges by counterpart funds	November 11	Financial Controller	a. and b. Could not be verified (see aide-memoire) c. Not done

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d- Reimbursement of old "unclaimed" items (total of USD 54 625) to Special Account from counterpart funds			d. Not done due to lack of funds
17. Settlement of all outstanding inter-account balances and termination of funds commingling practice	Immediate	Financial Controller	Not done

Action	Action Agreed	Date	Whom	Progress at 25/05/12
<i>Fiduciary Aspects</i>	18. Counterpart Funds: a- Payment of outstanding counterpart contributions b- Issuance of instructions to Rokel to address bank statements directly to the NPCU c- Monthly reconciliation of counterpart account by NPCU	December 11 Immediate Continuous	MAFFS MAFFS Financial Controller	a. Not done b. Not done c. Not done monthly
	19. Procurement: a- Proper filing of procurement documents (with a unique file for each procurement case) b- Monitoring of execution of procurement plan on a monthly basis c- Indication of contract numbers (as in contract register) and dates on the signed contracts d- Detailed verification of all bidding documents and contracts prior to signature by Program Coordinator e- Fine-tuning of TOMMARCHE procurement software f- Participation of all procurement unit staff in training organized in Liberia on TOMMARCHE	November 11 Continuous December 11	Senior Procurement Officer and Financial Controller Procurement Unit	a. Done b. Not done c. Not systematic d. Done e. Not done f. Done
	20. Finalization of valuation of beneficiaries and GoSL in-kind contributions and inclusion as a note to financial statements	January 12	Financial Controller	Not done (need to hire land valuation expert)
	21. Request auditors to correct error on financial statements date on their report	November 11	Financial Controller	Done
	22. Human Resources Management: a- Completion of individual personnel files in accordance with procedures manual b- Completion of 2011 staff performance evaluation exercise and setting of next year's objectives based on 2012 AWPB c- Finalization of organigram and project photo-directory	December 11	Human Resources Officer	a. No standard content of files b. Completed except for 4 consultants and VSOs c. Done except for photo directory
	23. Fixed assets: a- Input of all assets into the TOMPRO fixed assets module and monitoring of assets by HRO b- Tagging of all program assets c- Completion of physical inventory of assets at NPCU and DPCUs	December 11	Human Resources Officer	a. Assets monitored on Excel b. Assets in custody of IPs not tagged c. Inventory done by HRO, not Accounts staff (procedure not properly followed)
	24. Analysis of fuel consumption for all project vehicles on a monthly basis	Continuous	Human Resources Officer	Done
	25. Verification of travel: inclusion of proof of travel and signed mission reports for all travel paid from project funds	Continuous	Financial Controller	Not systematic

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Appendix 5: Physical progress measured against 2012 AWPB (including RIMS indicators) for RFCIP

Component/ Sub-component or Output	Indicator	Unit	Period: 01-01-12 to 24-05-12			Cumulative Actual	Appraisal Target	
			AWP&B	Actual	%			
Component 1: Access to Rural Financial Services								
	OUTCOME INDICATORS							
	-Proportion of shareholders are smallholder farmers	%						
	-Proportion of shareholders have a saving account	%						
	-Proportion of smallholder farmers have benefitted at least of one loan	%						
	-Proportion of the beneficiaries are youth or women	%						
	OUTPUT INDICATORS							
	-Number of FSAs operational	#						
	-Number of CBs operational	#						
	-Portfolio at risk for FSAs and CBs is below 5%	%						
	-Number of shareholders disaggregated by gender	#						
<i>Sub-component 1.1: Creation of Grass Root Financial Services Associations</i>	Number of FSA established	FSA	4	4	100%	36	36	100%
	a. Number of FSAs communities mobilized and sensitized	FSA	36	36	100%			
	b. Number of FSAs with sign posts	FSA	31	15	48%			
	c. Number of FSAs equipped with furniture and equipment	FSA	15	15	100%			
	d. Number of FSA staff and Board members trained	person	32	32	100%			
	e. Number of FSAs equipped with MIS	FSA	4	0	0%			
	f. Number of FSAs with office supplies and stationery	FSA	36	36	100%			
	g. Number of FSAs with management and	FSA	36	36	100%			

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	OUTCOME INDICATORS							
	-proportion of government officials trained	%						
	-proportion of communityworkers and volunteers trained	%						
	-proportion of village/communityplans formulated	%						
	-support provided to MAFFS and district councils	USD						
	OUTPUT INDICATORS							
<i>Sub-component 2.1: Capacity Building of Communities</i>	-number of MAFFS and district councils staff trained	Number						
	-number of youths trained	Number						
	-number of women trained	Number						
	-capacity building of government institutions	USD						
	a. Number of capacity building desk officers supported	person	8	0	0%			
	b. Number of beneficiaries trained in functional literacy, numeracy and life skills	person	500	0	0%			
	c. Number of banks implementing the inventory credit scheme	banks	3	3	100%			
	d. Number of ward Committee offices constructed	building	50	50	100%			
	e. Number of project beneficiaries sensitised on HIV	persons	100	0	0%			
	f. Review of sensitization strategy	Number	1	0	0%			
	g. Number of quarterly meetings organised	minutes	4	1	25%			
	h. Number of FSAs and CBs sensitised on the Apex body	Number	36	36	100%			
	i. Youth centres equipped with furniture and equipments	Number	2	0	0%			

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		j. Number of youth centres constructed	Number	2	0	0%			
Component 3: Project Management									
		OUTCOME INDICATORS							
		-proportion of activities implemented as planned in the AWPB	%						
		-proportion of contracts are implemented on time and within budget	%						
		OUTPUT INDICATORS							
		a. Number of surveys and studies conducted	report	5	0	0%			

Appendix 6: Updated logical framework indicating progress against objectives, outcomes and outputs

Objectives	Verifiable indicators	Means of verification	Risks/Assumptions
<p>Goal (Impact) To contribute to the reduction of rural poverty and household food security on a sustainable basis</p>	<ul style="list-style-type: none"> • 20% of households in the project intervention zone report improvements in their household assets ownership index • 10% reduction in the prevalence of child malnutrition, by gender • 20% of households in the project intervention zone and 70% of the targeted households report an improvement in food security 	<ul style="list-style-type: none"> • Baseline, mid-term, and Completion assessment • National statistics • VAM reports 	
<p>Purpose/objective (Outcome) The overall goal of the Programme is to contribute to the reduction of the rural poverty and household food insecurity on a sustainable basis.</p>	<ul style="list-style-type: none"> • Approx. 80,000 direct beneficiaries profit from project interventions, of whom at least 40% are female, 50% are youths and 20% female youths • At least 25% of beneficiaries in the tree crop and IVS intervention zone have 	<ul style="list-style-type: none"> • Beneficiary surveys • PRA baseline and impact surveys at mid-term and before end of project • Project progress 	

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	obtained loans from FSAs and CBs to undertake agricultural production, out of whom at least 40% are female, 50% are youths and 20% are female youths	Reports	
Component 1: Access to Rural Financial Services			
<p>Component Objective (Outcome) The rural poor have access to reliable and sustainable financial services (savings, credit, transfers, remittances, etc)</p>	<p>Effectiveness:</p> <ul style="list-style-type: none"> • 50% of shareholders are Smallholder farmers. • 70 % of shareholders have a saving account • 50 % of Smallholder farmers have benefited at least of one loan • 60 % of the beneficiaries are youth or women <p>Sustainability:</p> <ul style="list-style-type: none"> • Portfolio at risk of FSA and CB is below 5% • Operational self-sufficiency for FSAs and CBs is above 100% 	<ul style="list-style-type: none"> • Surveys reports on impact assessments • Focus group discussions • Periodic surveys, shareholder interviews • End-of-project impact survey 	
<p>Outputs</p> <p>1.1 Creation of Grassroots financial services associations</p>	<ul style="list-style-type: none"> • 50 FSAs operational by 2013 • 20 Community Banks operational by 2013 • Refinance facility is fully 	<ul style="list-style-type: none"> • TAA reports • M&E reports 	Regulatory framework for village based microfinance organisations and Community Banks has to be strengthened. A Technical

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<p>1.2 Support to community banks</p> <p>1.3 Establishment of an apex body for CBs</p> <p>1.4 Support to BoSL for regulatory framework for CBs and FSAs</p>	<p>operational</p> <ul style="list-style-type: none"> • 80 000 shareholders benefited from the project of whom at least 40% are female, 50% are youths and 20% female youths • Apex body of CBs operational by 2013 		<p>Assistance Agency, later to be developed into an apex body for CBs and a refinance facility will be part of the COSOP, but has to be aligned and negotiated with the BoSL and MOFED. Banking regulations and products have to be further developed and adapted.</p>
Component 2: Support to community development			
<p>Component Objective (outcome) The rural poor increase their level of participation in the management of local decentralised institutions</p>	<ul style="list-style-type: none"> • 50 % of Districts have adopted a development plan elaborated through a participatory process involving rural poor • 50 % of rural poor are aware of the activities financed through the district annual budget, of which at least 40% are women • 50 % of Districts report annually on budget expenditures at ward and community levels • 20% youth or women participated in the management of local decentralized institutions 	<ul style="list-style-type: none"> • Beneficiary surveys • Project progress reports • Performance based MOUs • LC and WDC reports • M&E reports 	<ul style="list-style-type: none"> • Continued political commitment to the decentralization process • Decentralization process progresses as planned
<p>Outputs</p> <p>1.1 Capacity building of communities</p> <p>1.2 Community development</p>	<ul style="list-style-type: none"> • 10% of the communities have been involved in the establishment of the Ward Plans • 20,000 rural poor benefitted from the project 	<ul style="list-style-type: none"> • Project progress reports • LC and WDC reports • M&E reports 	

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<p>fund</p> <p>1.3 Youth development packages</p> <p>1.4 Communication and sensitization campaign</p>	<p>of whom at least 40% are youth , 50% are youths and 20% female youths</p> <ul style="list-style-type: none"> • Construction of 144 ward offices 2012 • Construction of 4 youth centres by 2012 • 50% of the rural poor are reliably informed about project activities 		
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