Sustainable Microfinance in Plan

Matching Grant HFP-A-00-02-00006-00

between

PLAN USA (Childreach) and USAID/PVC

January 2005

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Evaluation Profile Sheet

PVO name	Plan International USA (Childreach)
Matching Grant Title	Sustainable Microfinance in Plan
Cooperative agreement number	HFP-A-00-02-00006-00
Amount of Grant	$1,828,189
Period of Grant	October 1, 2001 through September 30, 2006
Any (cost/no cost) extensions?	None
Current status of MG	On-going (midterm)
USAID/PVC Grant Officer (s)	Thomas Kennedy
Technical area of grant	Microfinance and capacity building
Date of the evaluation	September 1 through November 30, 2004
Countries of program activity	Plan Global
Country programs evaluated	Plan Global
Evaluation Team Members (organization)	Philip Boyle, External Evaluator for Plan International

Summary of Conclusions and Recommendations

Background

- Sustainable Microfinance in Plan (SMP) is the third in a series of three USAID-supported cooperative agreements to help Plan develop and sustain a microfinance program model that reflects international best practice. Phase I, known as the Learning Phase (September 1994 – August 1996), allowed Plan to take stock of its many ineffective microcredit programming practices and to identify a new microfinance model based on achieving large scale and financial self-sufficiency through partner microfinance institutions (MFIs).

- A second phase, known as the Institutional Strengthening Initiative (ISI), ran from September 1996 to September 2001 and demonstrated the viability of the new model by applying it in six Plan program countries – Bolivia, Guatemala, Kenya, Mali, Nepal, and the Philippines. By the end of the ISI, eight more program countries had adopted the new model and were implementing microfinance programs through local MFI partners.

- The SMP (October 2001 to September 2006) builds on the achievements of the previous two grants by increasing demand for microfinance services in the field and increasing the supply of resources to meet that demand. The grant is largely built around a 10-point strategy for reaching microfinance sustainability within Plan. There are also three capacity building sub-projects with MFI partners in Ghana, Kenya and Nepal, whose purpose is to develop Plan's ability to partner around distinct capacity-building themes.

General Conclusions

- At the time of midterm evaluation (end October 2004), fully satisfactory progress has been made toward the program goal of creating commitment and capacity throughout Plan to practice sustainable microfinance programming.

- Fully satisfactory progress has also been made toward attaining each of the three program objectives:

    - Increased technical capacity in microfinance programming exists throughout Plan.

    - Sustainable microfinance is included in program strategies, and MFI partnerships are used that reach large scale and focus on women.

    - Sustainable political will and resources exist to support microfinance in Plan.

- Generally satisfactory progress has been made in the three capacity-building projects, although one of them (Nirdhan) is currently behind schedule. Another (SAGA) is having difficulty reaching operational and financial sustainability.

- Excellent progress has also been made in most of the components of the 10-point sustainability strategy.

Specific Conclusions

Objective 1: Increased technical capacity in microfinance programming is present throughout Plan.

- The number of Country Offices that have a coordinator dedicated to microfinance now stands at 20, surpassing the expected figure of 18 at the midterm. The program is well on its way to achieving the end-of-project goal of 23 Plan countries.

- The number of country programs meeting at least 80% of Plan's standards for sustainable microfinance now stands at 16, surpassing the expected figure of 15 at the midterm. The program is well on its way to achieving the end-of-project goal of 20 Plan countries.

- The number of Plan Country and National Offices to which MFTT provides technical support now stands at 26, comprising 22 COs and 4 NOs. This surpasses the goal for the midterm and end of project of 24. The program has already achieved this goal.

Objective 2: Sustainable microfinance is included in program strategies, and MFI partnerships are used that reach large scale and focus on women.

- The number of country programs that have sustainable microfinance in their strategic plans now stands at 20, largely surpassing the midterm goal of 15 and well on its way to the end-of project goal of 23. This figure relates to the Plan countries with which the MFTT is currently working to satisfy the 9 standards for sustainable microfinance.

- In the evaluation survey, 26 countries of 42 responding (of a total of 45) claim to have already included sustainable MF in their CSPs and another 14 plan to do so in the next round of CSP development. Thus, 95% of 42 Country Offices surveyed indicate they now or will soon have sustainable MF in their country strategies.

- The same survey indicates that 88% of Plan countries expect to increase the amount of microfinance in their programs, and 86% believe that it should be part of the Plan Core Program, which it currently is not.

- The number of Plan partnerships with MFI implementing organizations now stands at 35, well ahead of the midterm goal of 28 and the end-of-project objective of 32. The program has already achieved this program goal.

- The number of members of these Plan/MFI partnership programs now stands at 205,556, well ahead of the midterm goal of 140,000 and already exceeding the end-of-project objective of 200,000. The program has already achieved this program goal.

- The number of country programs in which MFI women members exceed 80% now stands at 9, below the midterm expectation of 15 and well below the end-of-project objective of 23. The program is thus well behind in this objective when measured in this way and has decided to restate the objective as 80% of all members taken together across all MF programs. At the midterm this proportion stood at 75% compared to an end-of-project goal of 80%. This may yet be achieved, although the figure for female membership at project inception stood at 87%

Objective 3: Sustainable political will and resources exist to support microfinance in Plan.

- The number of Plan country programs currently receiving technical support for their microfinance programs now stands at 22, slightly below the midterm projection of 25. The end-of-project goal of 30 is achievable, but may prove to be a hard stretch for the MFTT alone. Nevertheless, a recent survey indicates that at least 40 of 45 Plan countries plan to have microfinance in their CSPs within the next few years.

- An amended corporate policy on microfinance programming that reflects best practice and is workable in Plan has not yet been developed, although its completion was projected for the midterm. This largely reflects the recent shift in Plan to 6 new strategic directions, the flagship among which is Child Centered Community Development. The new Credit and Savings policy will need to integrate itself into this still evolving Plan policy environment. Such an amended policy should be possible by end-of-project.

- International Headquarters support for a permanent microfinance advisor appears to be solid at this time, although nothing institutionally may occur until much closer to the expiration of the current program. International Headquarters appears to prefer maintaining the current two-person MFTT beyond the expiration of the SMP. This would appear necessary to ensure sustainability of all that the MFTT has accomplished over the last 10 years.

- Within Plan's Regional Offices, 3 of 4 directors have stated they expect to put Regional Microfinance (or Livelihood) Advisors into place within 1 year. ARO and ROA will soon be hiring, while WARO expects to staff a position at the beginning of FY 2006 (July 2005). Only RESA is still waiting for evidence of more demand for MF technical assistance from its 10 countries.

- According to a recent survey of 42 Country Offices, there is a slight preference for Regional MF Advisors over IH Advisors, but that is if they have to choose. It appears that many COs would opt for maintenance of one or more IH microfinance advisors, in addition to a Regional Advisor closer to their countries.

- The strong rise in grant-funded programs and projects within Plan countries and the increased mixing of sponsorship and grant funds in Core and non-Core programs means that microfinance will receive funds from multiple sources, which formerly it did not. The fact that nearly 9 of 10 surveyed country programs now want microfinance in the Core Program will encourage this trend toward increasing resources for microfinance programs. Using an indicator of multiple funding to track the institutionalization of MF is thus no longer useful.

Capacity Building Sub-projects

- The capacity building projects appear to be successful thus far, particularly incorporation of the Savings/Education with Credit methodology into Akoti Rural Bank in Ghana. Incorporating the education component into bank operations seems to be working, but there is still a separation of accounts and perspectives. However, this project seems to be meeting a set of explicit performance expectations and indicators roughly on schedule.

- The project in Nepal with Nirdhan Utthan Bank, although somewhat behind schedule, appears likely to reach its objectives by end-of-project. Nirdhan is operating in a conflict area, and this has contributed to the delays. The Client Data Monitoring System is the more advanced project component and should eventually yield positive results. The education component was based on client input and appears very comprehensive, but it is not clear yet how such a lengthy set of themes will be delivered to clients in the field. The conversion of Nirdhan credit agents into dual credit and education agents could also encounter problems.

- The project with SAGA in Kenya is probably most difficult, since it is dealing with building fundamental institutional capacity of an organization that is struggling somewhat to prosper in its environment near Lake Victoria. SAGA is making clear progress toward both financial and institutional sustainability, but it is still well short of its targets. Only time will tell whether this sustainability can be achieved within the next two years.

10-Point Sustainability Plan

1. Progress on integrating microfinance with the Child Centered Community Development approach

- The 2003 formulation within Plan of 6 new strategic directions has validated much of MFTT's work to date in partnership, strategic alliances, poverty alleviation, and reaching children through their caregivers, primarily women.

- The keystone of Plan's new objectives is Child Centered Community Development, which remains to be fully defined as Plan moves forward. By placing emphasis on household economic security, the MFTT is making a strong statement that to reach children in poverty the household must be the target of economic analysis and assistance measures.

- The work on impact carried out by the Plan Microfinance Impact Workgroup since 2001 is unique in Plan and has gone a long way toward demonstrating the close linkage between child poverty, household economic security, and the need for financial services.

- The MFTT has demonstrated in its work and formal presentations that the new strategic directions of long-term commitment to children in poverty and assisting as many children as possible fit closely with its model of household economic security. Poverty is first and foremost an economic phenomenon and should be addressed as such. Children overwhelmingly live in households, and that is where they can be reached and monitored by programs.

2. Progress towards strengthening the partnership model

- From the beginning of its work in Plan, the MFTT took the strong position that microfinance services should be delivered by specialized organizations outside Plan. The number of these partnerships has grown from 26 to 35 during the course of the SMP.

- While the basic work on partnership types and principles and on assessment and selection of partner organizations was carried out under the preceding grant, under the SMP the

MFTT played a lead role in the Partnership Taskforce that produced a new framework for partnerships for all of Plan.

3. Progress towards expanding the range of microfinance models and demonstrating their importance for Plan

- Beginning 10 years ago with two microfinance models (Grameen banking and village banking), Plan countries now have 16 distinct models to draw on. Eight of these have largely been developed under the SMP. The MFTT has never ceased to explore new options for delivering financial services to a wider group of beneficiaries (outreach) and to the poorest people (depth of access).

- The current emphasis is on the savings capacity of the poorest of the poor, where credit may be less important than the ability to save and provide a self-generated financial cushion in times of household crisis. Among other things, this has led to the development of models for remote rural areas and to the use of savings contributions to generate loan funds, free of external obligations.

- The MFTT has been correct in seeking out and promoting new microfinance models for Plan country contexts. Without the MFTT, Plan would not have had a systematic and rigorous approach to matching experience and state-of-art practice to specific Plan country needs that now involves nearly half of its 45 countries

4. Progress on developing a framework for the assessment of impact of microfinance programs

- The MFTT launched the Plan Microfinance Impact Workgroup (PMIW) as the SMP got underway late in 2001. From the beginning, the PMIW sought to make the link between financial services and their positive impact on children. This link has been demonstrated, although a good deal more needs to be known about how this process works.

- Several countries belonging to the network designed specific impact projects, and these are now underway. Participating countries are Bangladesh, Nepal, and the Philippines. In addition, each of these countries is working on a country-level approach for impact assessment. This approach constitutes a framework for conducting assessment of microfinance programs, and participating countries are now finalizing these frameworks.

- The Latin American country programs are no longer participating in the PMIW, although they remain active members of the MF Network. Although WARO has a regional MF network, the original member country (Mali) dropped out and no other countries have taken the next step to make the commitment to impact. Strong commitment is needed for follow-through on work in impact, and Plan COs in Bolivia, Kenya, and Mali were apparently not able to devote the time and commitment needed to continue.

- The flip side of impact assessment is conducting market analysis to design appropriate programs upfront. By market analysis is meant the investigation of client group needs and perspectives to match them to particular financial services. The MFTT has correctly promoted both impact assessment and market analysis as means to reach children more directly and effectively. While relying primarily on learning from the ImpAct initiative and on PMIW efforts to develop impact assessment frameworks, the MFTT has reached out to MicroSave-Africa for technical assistance and training in pre-program market analysis.

5. **Progress on establishing strategic alliances with specialized organizations and networks**

- Along with implementation partnerships, the MFTT has focused on building relationships with other microfinance practitioner organizations, networks, and research institutions. Just as in their work on partnerships, this appears to be pioneering work in Plan.

- Strategic alliances now exist in: (1) impact assessment with the SEEP Network and the ImpAct program of IDS/Sussex University; (2) market research with MicroSave-Africa; (3) integrating health and business education into microfinance with Freedom from Hunger; and (4) developing and promoting new microfinance models in Plan with CARE International.

6. **Progress towards strengthening structures for management and technical support**

- Most work under this rubric has been in the area of Plan microfinance networks. There are two of these now formally organized: the global Plan Technical Microfinance Network and the West African Regional Microfinance Network. There is also a small, informal network organized around the Financial Services Associations (Kenya, Tanzania, Uganda, and the Philippines). The Asia countries appear to be generating their own MF network, given their numerous programs and propensity to experiment with new models.

- Another important structure for management and technical support has been the Plan Microfinance Impact Workgroup. Moreover, the PMIW countries have organized their own country networks involving the Plan partners, of which there are several in participating countries: Bangladesh (4), Kenya (4), Nepal (5), and the Philippines (3).

- Although intended for creation under the SMP, neither the internal Plan Advisory Group (PAG) nor the external Technical Advisory Group (TAG) has been formed. The MFTT appears to have abandoned the concept of PAG/TAG, in favor of assisting in the creation of regional microfinance technical networks, composed of regional advisors, country coordinators, and other involved Plan and partner staff.

- One of the intended activities of the Plan Advisory Group by this time was to amend the Credit and Savings Policy. This will have to wait until an appropriate body of interested Plan practitioners can be organized to address this issue. This would be an appropriate task for the global MF Network, particularly if it can bring together Regional Technical Advisors. Since these do not yet exist, revising the policy will wait until these key people are in place.

7. **Progress towards continuing effective learning practices in microfinance**

- The MFTT has placed great value on continued learning within Plan. This is evidenced by the constant search for new and better ways to do microfinance in Plan countries. The work of the MF Network and the Impact Workgroup have always focused on action research and bringing Plan up to date in microfinance theory and practice. The intention, although not explicitly stated, has been to make Plan a key player, a center of excellence in the field of microfinance, and in this the MFTT has certainly succeeded.

- The MFTT has chosen to discontinue publishing *Credit Lines*, its popular microfinance bulletin. The advent of the internet meant that current information on microfinance could easily be posted or found on various websites. Given time constraints, this seems a wise decision, but there is no doubt that Plan Country Offices remember *Credit Lines* and its focus on key themes of sustainable microfinance. Information on the newest microfinance models and work in market analysis and impact assessment might reach a larger audience, were this bulletin still in existence.

- Sending key Plan and partner staff to Naropa University (Boulder, Colorado) for state-of-art learning has been an excellent way for the MFTT to build staff skills in microfinance and pursue the objective of making Plan a key player and center of excellence in this field.

8. Progress towards improving coordination at the country and regional levels

- The MFTT has worked hard to institutionalize a technical assistance capacity in microfinance at the regional level. Currently, the MFTT works directly with 22 countries and this two-person team has made nearly 40 country visits in each of the last two years. Regional advisors are urgently needed to provide more linkage to IH.

- It appears that 3 of the 4 Plan Regional Offices will have named Regional Microfinance Advisors within the next year. Only, RESA is waiting for more than 3 of its 10 countries to develop microfinance programs. This would seem likely within two years, since at least 5 more countries are interested in developing sustainable programs.

- Although the MFTT has made numerous efforts to point out the need for integration of microfinance with other Plan domains around a common focus on reaching children within households, the goal of integrating microfinance with livelihood and both with other Plan domains has remained elusive. This will definitely require more coordination of technical and managerial networks than presently exists.

9. Progress toward building a "critical mass" for microfinance within Plan

- The SMP objective has been to establish sustainable microfinance programming by grant's end in at least half the Plan Country Offices (23 of 45). To count as sustainable, these microfinance programs must satisfy 7 of the 9 standards for best practice established by the MFTT. Currently, 16 of the 22 countries with which the MFTT is closely working have done so, with Vietnam close to the line. By grant's end, it appears very likely that the desired critical mass of 23 countries will have been achieved.

- Achieving critical mass also entails the creation of a sustainable institutional support structure for country MF programs involving regional microfinance advisors, regional technical networks, and IH global expertise and coordination. By grant's end this also seems likely to exist.

10. Progress toward engaging National Organizations in pursuing a microfinance strategy

- The MFTT has engaged several members of the network of 15 National Organizations, because of their importance in generating resources for Plan programs, including microfinance programming. Country Offices in the past often felt that sponsorship monies, the majority of Plan's resources, could not be used for microfinance programs, since MF was not part of the Core Program. The distinction between grant and sponsorship funds for MF is now disappearing

- The MFTT has also worked with a number of NOs (Australia, Finland, Netherlands, and United Kingdom) to increase private sector grant support to microfinance programs. This has not been very successful, although grant support from governments has increased.

- With the development of program departments in some of the NOs, the MFTT has sought to increase their capacity to design and fund sustainable microfinance programs in Plan country programs. The MFTT has worked particularly closely with the UK and the Netherlands NOs. Nevertheless, lying outside the international implementation structure, the NOs do not always align with best practice standards set up by the MFTT. More effort will be needed in this area during the remainder of the SMP.

Recommendations

General Recommendations

- Plan International should not wait for the grant to end to put in place a successor structure of at least one International Microfinance Advisor. Preferably, the current two-person team should stay on beyond the grant. There is some indication from International Headquarters that this may be an option for Plan.

- Regional Advisors in all 4 Plan regions should be put in place as soon as possible, in order to work with the MFTT during the final years of the grant. Since it requires some time to recruit the right people, a decision should be made as soon as possible to move ahead with a full set of microfinance regional advisors. The MFTT should have a strong voice in candidate selection.

- The MFTT should continue its promotion of and assistance to regional MF technical networks, and these should be formally organized as soon as possible to work with the new Regional Advisors.

- The MFTT should continue to investigate how microfinance, household economic security, and reducing the poverty of children relate to activities in other domains. Recent presentations by the MFTT are becoming increasingly eloquent in this regard and should be continued whenever the occasion presents itself.

- The question of how microfinance fits with other activities normally included in the livelihood domain, particularly food security and vocational training, should be explored further in view to resolve some of the ambiguities. To the degree that food security activities are seen as assistance to subsistence agriculture, they should not distort the basic market context by providing unsustainable subsidies or gifts. While of temporary benefit, these subsidies cannot be maintained, nor will they encourage local people to create the sustainable mechanisms necessary to thrive in difficult environments.

- There is certainly some logic in combining financial services with other economic endeavors, such as agricultural production and microenterprise of various types. A serious problem arises if the philosophical approach behind microfinance and other livelihood activities differ, since this will cause considerable confusion within the households and communities that Plan seeks to assist. Functioning as a charitable organization in one project and as a promoter of self-reliance in real-world conditions in another in the same place is not good practice. Plan should opt for the sustainable variety, not the charitable course, or it will never mature as an organization or achieve any lasting results on the ground.

- The incorporation of sustainable microfinance into Plan over the last 10 years can and should be used as a model for achieving best practice in all other domains. Only 10 years ago, Plan was a charitable organization of hundreds of independent field offices with little coordination between countries or even offices. It has been evolving at a rapid rate toward the center of excellence it can certainly become. The MFTT has clearly been a part of the push to professionalize the organization around best-practice and business operation principles. Sustainable programs in all domains should be the practice, and rigor in project design and monitoring should be developed.

Specific Recommendations

- There appears to be no need to modify either the goal or any of the three objectives of the SMP program. The organizational objective is comprehensive and its indicators seem sufficient. The partnership objective involves fewer activities under this grant, outside the 3 capacity-building subprojects. Regarding the latter, more effort needs to be placed in the Nepal and Kenya activities to get them up to higher levels of performance. Only the Ghana effort seems a sure winner as of the midterm.

- Work should continue under this grant on defining the operational sense of Child Centered Community Development, its relationship to sustainable microfinance, the latter's relationship to household economic security, and the relationship between household security and children's welfare. .

- Partnership as practiced and demonstrated in sustainable microfinance should be extended to the other Plan domains. The framework document, largely based on the experience of the MFTT over the last 10 years, should serve as a guide for new domains.

- The important work of the MFTT in discovering and promoting new microfinance models should not slack. This work places Plan in the forefront of development organizations and a center of excellence in this domain. The quest for best practice and sustainability in other Plan domains should be patterned after the disciplined approach employed in microfinance.

- The work on impact assessment is pioneering in Plan and should be emulated in other domains. Moreover, integrated impact work involving several domains should be envisaged and promoted by IH management. Without such work, Plan cannot demonstrate that its programs are having the impact it claims.

- The process of leveraging development effectiveness and impact by linking informally with other development organizations in strategic alliances is also pioneering in Plan.

This is partnership of a type that should be developed and promoted more systematically in other program domains.

- While a shift from the traditional PAG/TAG structure may make sense in a changing institutional environment in which Plan Regional Offices and regional technical networks take on increased importance, it seems worthwhile to maintain the global MF Technical Network as a substitute PAG, in addition to the regional networks. There needs to be a global MF technical forum, in which representatives from regional networks and the Regional Technical Advisors can meet to discuss overarching issues. An external TAG is probably not necessary, if PAG meetings focus on themes and invite representatives from implementing partners and collaborating alliance organizations.

- Maintenance of continued learning as a high priority for Plan is essential if Plan is to become and remain a center of excellence in development work. This means that the MFTT should continue to use funds to promote country exchanges, network meetings, impact assessment workgroup meetings, and specialized training. Action research should be built into country microfinance programs whenever possible to learn from each country's experience.

- A structure of Regional MF Advisors and technical networks should be institutionalized as soon as possible to allow the MFTT to work with and build the capacity of these persons and networks. The qualities of the Regional Advisors will need to include many of the same qualities as those required at the international level: technical competence, communication ability, interpersonal qualities, dedication to the discipline, commitment to Plan, and a lot of stamina. Since building capacity in microfinance at the country level is still quite a challenge, it is recommended that MFTT "tutor" the new Regional Advisors in how to approach technical support in this program area.

- Working directly with the National Organizations on a best practice, programmatic basis will not only assist fundraising for Plan programming in the field, it will bear fruit by building the capacity of NO program departments to fund grants and design programs for funding from governments and private sources. Such increased programmatic collaboration should be extended to all domains.

B. Achievement of Program Objectives

The SMP intends to reach the overall goal of ensuring the sustainability of best-practice microfinance (MF) programming in Plan by September 30, 2006. Sustainability is defined in the DIP as "the commitment and capacity throughout Plan to practice sustainable microfinance programming." To this end three objectives were identified that, taken together, should result in goal attainment within the program timeframe. The DIP also proposed a 10-point sustainability plan, whose outcomes are considered to be necessary and sufficient to achieve sustainability.

The following two tables present the most recent values (end June 2004) for the program countries meeting the MFTT standards for sustainable microfinance. These data are collected twice yearly from partners. The next set of data will be available in February 2005.

Table 1: Progress toward Overall Program Targets

No.	Program Countries	Plan Partner Organizations	Current Partnerships	Total Members	Percentage of Women
1	Bangladesh	SafeSave, DSK, CTS, POPI	4	26,307	51
2	Benin	FECECAM	1	400	100
3	Bolivia	Cooperativa San Roque, CRECER, Sartawi	3	25,173	96
4	Ghana	Bawjaise Rural Bank, Upper Manya Kro Rural Bank, Akoti, Rural Bank	3	6,987	100
5	Guatemala	GENESIS	1	4,448	100
6	Haiti	APTECH	1	4,107	75
7	Kenya	BIMAS, K-Rep, SMEP, SAGA	4	30,152	58
8	Mali	NYESIGISO	1	1,885	38
9	Nepal	DEPROSC, DD Bank, NDRSC, Nirdhan Utthan, Sahamati	5	56,675	99
10	Niger	MARP Network	1	2,234	100
11	Peru	Alternativa, Arariwa	2	4,563	74
12	Philippines	CARD, ABS-CBN Bayan, ASKI	3	23,409	99
13	Senegal	PAMECAS	1	4,715	38
14	Tanzania	FSA International Tanzania	1	2,007	40
15	Togo	FUCEC	1	7,333	100
16	Uganda	FSA International Uganda	1	4,299	53
17	Vietnam	Quang Tri Women's Union, Quang Ngai Women's Union	2	862	100
	Totals		**35**	**204,694**	**76%**
	LOPTargets		**32**	**200,000**	**80%**

Source: MFTT

Table 2: Outreach Indicators of Plan Microfinance Programs

Program Country	Number of	Number of Loans	Amount of Loans	Average Loan	Number of	Total Savings	Average Savings

	Members	Outstanding	Outstanding ($)	Size ($)	Savers	($)	Balance ($)
Bangladesh	26,307	12,929	545,971	42	26,307	300,866	11
Benin	400	0	0	0	303	761	3
Bolivia	25,173	25,173	4,192,103	167	26,969	1,645,046	66
Ghana	6,987	5,951	635,140	107	6,987	118,558	17
Guatemala	4,448	4,448	1,191,093	268	4,448	238,218	54
Haiti	4,107	1,745	149,915	86	4,410	75,429	17
Kenya	30,152	11,073	1,360,600	123	30,065	1,702,584	57
Mali	1,885	1,058	262,463	248	2,145	216,644	101
Nepal	56,675	48,870	3,830,277	78	67,561	1,209,257	18
Niger	2,234	649	5,566	9	2,234	5,794	3
Peru	4,563	4,664	429,337	92	4,563	263,836	58
Philippines	23,409	26,133	2,222,538	85	23,119	539,745	23
Senegal	4,715	9,782	375,532	38	4,715	467,861	99
Tanzania	2,007	685	60,129	88	439	12,763	29
Togo	7,333	6,872	76,730	11	7,333	60,069	8
Uganda	4,299	1,155	150,322	130	2,217	27,621	12
Vietnam	862	646	26,822	42	862	2,670	3
Totals	**204,694**	**161,187**	**$15,487,716**	**$96**	**211,815**	**$6,885,052**	**$33**

Source: MFTT

Table 3 presents the status (end October 2004) of the nine capacity building indicators for Plan country microfinancce (MF) programs. Only 16 of 22 countries meet 80% of these indicators at the midterm. Cambodia, Cameroon, Guinea Bissau, Indonesia, Sri Lanka, and Vietnam do not yet qualify for best practice, according to these criteria. All 22 countries are, however, receiving technical assistance (TA) from the MFTT.

Table 3: Progress toward Increased Technical Capacity in Microfinance

Program Country	Dedicated MF Staff	MF in CSP / CPO	POS / CPO for MF	Institutional Analysis	Feasibility / Market Study	Business Plan	Written Agreement	Monitoring Reports	Evaluations
Bangladesh	X	X	X	X	X	X	X	X	X
Benin	X	X	X	X	X	X	X	X	N/A
Bolivia	X	X	X	X		X	X	X	X
Cambodia	X				X				
Cameroon	X			X	X		X	X	N/A
Ghana	X	X	X	X	X	X	X	X	X
Guatemala	X	X	X	X	X	X	X	X	X
Guinea Bissau		X			X				N/A
Haiti	X	X	X	X	X	X	X	X	
Indonesia	X	X	X		X				
Kenya	X	X	X	X	X	X	X	X	X
Mali		X	X	X	X	X	X	X	X
Nepal	X	X	X	X	X	X	X	X	X
Niger	X	X	X	X	X	X	X	X	X
Peru	X	X	X	X	X	X	X	X	X

Philippines	X	X	X	X	X	X	X	X	X
Senegal	X	X	X	X	X	X	X	X	X
Sri Lanka	X	X	X	X	X				
Tanzania	X	X	X	X	X	X	X	X	X
Togo	X	X	X	X	X	X	X	X	X
Uganda	X	X	X	X	X	X	X	X	X
Vietnam	X	X	X				X	X	N/A
Totals	**20**	**20**	**19**	**18**	**21**	**16**	**18**	**18**	**18**

Source: MFTT

The nine indicators presented in Table 3 above represent the means by which the MFTT tracks the increasing capacity of Plan Country Offices to undertake sustainable MF programs. These indicators were presented and discussed in the ISI final evaluation. For purposes of comparison, Table 4 presents the situation of these indicators at the beginning of the SMP.

Table 4: Country Program Progress toward Sustainable MF (October 1, 2001)

Program Country	Dedicated MF Staff	MF in CSP / CPO	POS / CPO for MF	Institutional Analysis	Feasibility / Market Study	Business Plan	Written Agreement	Monitoring Reports	Evaluations
Bangladesh		X							
Benin									
Bolivia	X	X	X	X	X	X	X	X	
Cambodia									
Cameroon									
Ghana	X	X	X	X	X	X			
Guatemala	X	X	X	X	X	X	X	X	X
Guinea Bissau									
Haiti	X	X	X				X	X	
Indonesia									
Kenya	X	X	X	X	X	X	X	X	X
Mali		X	X	X	X	X	X	X	X
Nepal	X	X							
Niger									
Peru	X	X	X	X	X	X	X	X	X
Philippines	X	X	X	X	X	X	X	X	X
Senegal	X		X	X	X	X	X	X	
Sri Lanka									
Tanzania	X	X	X	X	X		X	X	X
Togo	X	X	X			X	X	X	X
Uganda	X		X	X	X		X	X	X
Vietnam									

Totals	12	12	12	10	10	9	11	11	8

Source: MFTT

Objective 1: Increased Technical Capacity in MF Programming throughout Plan.

Three indicators track this objective:

a. Number of Country Offices with staff dedicated to MF.

Baseline:	14
Midterm goal:	18
10/31/04:	20
Project End:	23

b. Number of programs meeting at least 80% of Plan's standards for sustainable MF.

Baseline:	10
Midterm goal:	15
10/31/04:	16
Project End:	20

c. Number of Plan Country and National Offices to which MFTT provides technical support.

Baseline:	19
Midterm goal:	24
10/31/2004:	26 (22 COs + 4 NOs)
Project End:	24

d. Changes in MF Institutional Sustainability Indicators By the Midterm

Table 5: Net Changes in Institutional Sustainability Indicators (2001-04)

Sustainability Indicator	October 1, 2001	October 31, 2004	Net Change
Staff member dedicated to MF exists in the Country Office	12	20	+ 8
MF is included within the Country Program Strategy or a Country Program Outline	12	20	+ 8
MF has its own Program Outline Statement or Country Program Outline	12	19	+ 7
Institutional analysis of partner carried out	10	18	+ 8
Feasibility or market study carried out	10	21	+ 11
Business plan developed	9	16	+ 7
Written partnership agreement has been signed	11	18	+ 7

Monitoring reports on MF activities are being submitted	11	18	+ 7
Formal evaluations of MF activities are being conducted	8	18	**+ 10**

Source: MFTT

These indicators are a good measure of the institutional capacity of Plan COs to do sustainable MF, but it must be kept in mind that backsliding can occur if office directors or key personnel change. In other words, these indicators only measure key abilities and their direct results. They cannot factor in intangible elements, such as will, commitment, and management style, which are often linked to the personalities of the country management team. The world of Plan COs is dynamic and variable, so that tracking net change in MF capacity is not a linear function. It all boils down to political will and commitment, personal relationships, opportunities, and other variables. Many of these variables are beyond control and are vulnerable to shocks and changes of various types. All in all, however, these indicators do provide an accurate portrayal of the progress of microfinance within Plan. This is confirmed in part by the results of the microfinance survey.

Some examples of particular success stories under the SMP are provided by Peru, Nepal, Niger, and Sri Lanka. Peru has made steady progress over the last few years. Plan hired a microfinance coordinator, did a great deal of in-house education, involved other staff for program integration, carried out all the necessary studies, wrote a grant proposal and received NO funding, identified partner organizations, and started a program in Lima and Cuzco (and soon in Piura). The program is institutionalized in the CSP/CPO and is likely to survive staffing changes. Program monitoring and evaluations are carried out, and the programs are expected to be sustainable.

In Plan Nepal over the recent past, a Coordinator was hired, various partner organizations identified and relationships formed, the Coordinator built significant support within Plan, sustainable programs were developed with the partners, integrated programs were developed, and program evaluations were conducted. Beyond these basic steps, Plan invested in capacity building and expanding outreach of the partners, and is currently examining how to extend the depth of outreach to poorer people through new methodologies and intensified outreach (i.e., expanding the percentage of people who are served within a district). Microfinance is strongly represented in the CSP and CPOs.

Plan Niger was completely off the MFTT radar screen in 2001. Between October 2002 and September 2003, the CO completely changed focus by: (1) discontinuing an ineffective activity (giving money to community groups to purchase cattle); (2) identifying an innovative MF methodology; (3) identifying a partner with whom to work; (4) dedicating staff to monitor the new project; 5) finding an imaginative way to integrate MF into its CSP/CPOs; (6) initiating a pilot project; (7) developing its own computerized MIS; and (8) evaluating the project and deciding to expand it. All of this then led Plan Niger to sponsor a regional workshop to demonstrate their approach and accomplishments to other West African programs (December 2004). This is quite a list of achievements in such a short period.

In Sri Lanka, the MFTT and the Country Office first did market research, identified a partner, and completed the institutional assessment. Plan Sri Lanka has written a proposal to obtain NO funding, integrated microfinance into the CSP and CPO, and has begun to negotiate an agreement for the first partnership. An opportunity opened up to work on the national level in coordination with GTZ, SIDA, and the Ministry of Finance, so Plan invested in setting up a Microfinance Unit with 4 staff (a director and 3 others). Plan has now begun to play a strong role in microfinance in Sri Lanka. This has all happened since the beginning of the SMP.

e. Review of the Status of Major Planned Activities at Project Midterm

Table 6: Status of Major Organizational Development Activities

Activity	Planned Status at Midterm (End October 2004)	Actual Status
Establish a Technical Advisory Group (TAG)	- TAG is established	- TAG is not established (replaced by MF Network)
Establish strategic alliances with external consultants, specialized institutions and network	- Activity continuous with no specific accomplishments indicated	- Several important strategic alliances created and on-going
Increase field capacity via technical staff expansion and training	- Activity continuous with no specific accomplishments indicated	- MF country programs meeting standards from 10 to 16 - Number of dedicated staff up from 14 to 20 - Plan offices receiving TA up from 19 to 26
Upgrade the microfinance monitoring system	- Completed	- Completed: - Reporting on number of Plan families in program discontinued - Financial indicators changed to reflect new types of MF programs - Institutional capacity indicators discontinued
Develop and implement a system for documenting impact	- Activity continuous with no specific accomplishment indicated	- Country impact assessment frameworks identified; work in progress
Upgrade skills of Plan and MFI partner staff in microfinance and business planning	- 3 quarters of activity indicated with no specific events or accomplishments	- Plan offices receiving TA up from 19 to 26. - MF country programs with business plans up from 14 to 16 Plan and partner staff attended: - Market analysis training - Annual meetings of global and WARO MF Networks - Annual meetings of MF Impact Workgroup - MF training in Naropa (Boulder)
Develop and distribute the technical bulletin *Credit Lines*	- 6 quarterly issues published	- None published (*Credit Lines* discontinued in favor of internet postings)
Hold and document annual meetings dedicated to microfinance learning	- Meetings held in 3 quarters without specific number indicated	- 2 annual meetings of global MF Network - 3 annual WARO MF Network meetings - 3 annual meetings of MF Impact Workgroup

Under the preceding ISI grant, once MF organizations were qualified as partners, their institutional strength was tracked as part of the MF Monitoring Information System and every six months a set of indicators of institutional strength were revised as part of an Institutional

Development Report and Checklist. The MFTT dropped the requirement that countries use the institutional capacity formats of the ISI grant, because very few were using them. They were not using them, because most projects at the time were focused on expanding outreach and not on developing institutional capacity. Another problem was that these formats were impossible to aggregate in a meaningful way at the global level. Consequently, the MFTT told country programs they should use these formats if they would help in monitoring specific projects, but that the forms did not have to be sent to the MFTT. The ISI final evaluation provides a detailed description of these institutional capacity reporting formats and notes that only two of the six pilot countries were reporting on these indicators at the end of the ISI.

Under the present grant, Plan Kenya and Ghana have used the formats to report to the MFTT at the end of the year for its annual reports to USAID. However, the real institutional capacity monitoring tool under the SMP has been the DIP, whose planning matrices and implementation plans have been valuable tools and were the basis of the terms of reference for the three sub-project evaluations.

The MFTT recently proposed to Plan Togo and Benin that they use the original formats as a way of measuring capacity in the credit union strengthening projects that both are involved in. The formats, therefore, are still in the MFTT toolbox and can be used in appropriate situations. The lesson learned is that they are not applicable to all microfinance partnerships.

Objective 2: Plan Country Offices Include MF in Program Strategies and Have Partnerships with MFIs that Reach Large Scale and Focus on Women.

Four indicators track this objective:

a. Number of country programs with MF in their strategic plans.

Baseline:	10
Midterm goal:	15
10/31/2004:	20
Project End:	23

b. Number of partnerships with MFIs.

Baseline:	26
Midterm goal:	28
10/31/2004:	35
Project End:	32

c. Number of MFI members.

Baseline:	99,813
Midterm goal:	140,000
Present:	205,556
Project End:	200,000

d. Number of program countries where MFI women members exceed 80%.

Baseline:	8

Midterm goal: 15
10/31/2004: 9
Project End: 23

e. Average proportion of women across all MF programs (alternative to above).

Baseline: 87%
10/31/04: 75%
Project End: 80%

f. Review of the status of major planned activities at project midterm

Table 7: Status of Major Partnership Activities

Activity	Planned Status at Midterm (End October 2004)	Actual Status
Sensitize regional management teams (RMTs) to the benefits of sustainable microfinance (SMF)	- Events held in 4 quarters with no specific content indicated	At least 4 specific events: - ROA presentation (12/03) - ARO presentation (5/04) - RESA presentation (9/04) - ROA presentation (10/04)
Regular visits and technical assistance to Plan country programs to identify viable microfinance opportunities and develop program strategies	- Continuous activity indicated with no quantitative targets	- Plan offices receiving TA up from 19 to 26. - 4 CO person visits by MFTT in 4th Quarter 2001 - 31 CO, 1 RO, and 5 NO person visits by MFTT in 2002 - 36 CO and 3 NO person visits by MFTT in 2003 - 22 CO, 4 RO, and 1 NO visits by MFTT in 2004 (includes RESA and ROA presentations during evaluation)
Develop viable microfinance partnerships that build the scale of delivery and capacity of local MFIs	- Activity is continuous with an end-of-project target of 32	- 35 viable partnerships in existence by end October 2004
Develop and publish a manual for microfinance partnerships	- Completed	- Not yet completed (postponed to last year of project)
Perform a follow-up study on the approach to and methods of MFI partnerships	- Scheduled to begin in 4th Quarter of 2004	- Not yet begun (postponed to last year of project)

Objective 3: Build and Sustain the Political Will and Resources to Support MF in Plan.

Four indicators track this objective:

a. Number of country programs (COs) requesting (and receiving) technical support for MF from MFTT.

Baseline: 20

Midterm goal:	25
10/31/2004:	22
Project End:	30

b. A corporate policy on MF programming that reflects best practice and is workable in Plan.

Baseline:	Policy exists but needs updating
Midterm goal:	Policy has been amended
10/31/04:	Policy has not yet been amended
Project End:	Policy updated and is applicable

The most important policy accomplishment of the MFTT during the preceding matching grant (ISI) was the insertion of the Credit and Savings Policy statement into the Field Operations Book in August 1998. This was a clear, formal policy statement linking children's well-being to family income, women's generation and control of income, and income generation reinforced by health, business, or literacy training. This policy statement is reviewed and discussed at some length in the final evaluation of the previous matching grant – the Institutional Strengthening Initiative (March 2002).

This important policy needs updating before the end of project. The microfinance field has evolved considerably since 1998, and it was obvious by 2001 that the policy should be modified during the SMP. The DIP Planning Matrix indicates it was to be amended by the midterm, but this has not yet occurred. One of the reasons seems to be the lack of an appropriate forum to do so, since the Plan Advisory Group (PAG) has not been formed.

c. Headquarters support for a permanent MF technical advisor.

Baseline:	2 MF advisors in IH
10/31/04:	2 MF advisors in IH
Project End:	At least 1 permanent MF advisor in IH

The end-of-project expectation is that there will be at least one permanent MF advisor in International Headquarters (IH). However, there is currently strong interest on the part of the Director of Program in IH to maintain the existing team beyond the SMP (September 30, 2006). Moreover, the team would remain in its present location. If this commitment holds, the MFTT will continue in its present form and is likely to be formally linked to at least three Regional MF Advisors and related regional technical networks. Only in the East and Southern Africa Region (RESA) is there not yet a commitment to name a Regional Advisor within one year.

d. Microfinance projects in Plan countries funded through multiple sources.

Baseline:	14
Present:	17
Project End:	23

This indicator was included in the Detailed Implementation Plan to provide a measure of institutionalization of MF in country programs. Multiple funding in this case refers to a mix of sponsorship and grant funding. Previously, many Country Offices (COs) felt that sponsorship monies should be reserved for Core Program activities and grant funds for non-Core activities, including microfinance. This distinction between sponsorship and grant funding is fast disappearing, and it can be assumed that most country MF programs are being funded through a mix of sponsorship and grant funds. This indicator may be dropped at this time.

e. Review of the Status of Major Planned Activities at Project Midterm

Table 8: Status of Major Sustainability Achieving Activities

Activity	Planned Status at Midterm (End October 2004)	Actual Status
Establish and operate a Plan Advisory Group devoted to microfinance	- PAG is established	- PAG is not established (replaced by MF Network)
Educate National Organizations (NOs) staff on MF	- Activity is continuous with no specific targets indicated	- 8 regular educational and promotional visits to NOs carried out
Work with Plan headquarters staff to ensure MF is included in planning and evaluation sections of the Corporate Planning, Monitoring, and Evaluation system (CPME)	- Activity is continuous and scheduled to end by the 4th Quarter 2004 - No specific content indicated	- One corporate indicator has been included in CPME monitoring section - An MFTT member is now part of the CPME Group in IH - CPME representatives from IH and COs have been included in 3 annual MF Impact Workgroup Meetings
Establish networks to share information and advance SMF	- Activity is largely continuous and scheduled to end by 4th Quarter 2003 - No specific targets indicated	- Plan MF Network established and functioning - Plan MF Impact Workgroup formally established and functioning. - WARO MF Network formally established and functioning - Informal network in ARO

It should be noted here that work in the context of the Corporate Planning, Monitoring, and Evaluation planning and evaluation guidelines appears to be satisfactory. The CPME guidelines are general for how to approach planning and evaluation, and they do not include directions or instructions for specific program sectors. The primary way the MFTT addresses integration with CPME is that the MFTT has one of its members as part of the CPME Group and participates in its meetings. This ensures the MFTT remains well informed and that any concerns it may have are addressed.

The evidence that microfinance is integrated into the CPME planning process is the resulting CSPs and CPOs. The monitoring section of CPME does provide space for program specific technical guides, and a technical guide for microfinance was integrated into the CPME monitoring section in 2000 under the ISI grant. The evaluation guidelines apply to the CPOs. The CPME requires all CPOs to be evaluated every three years, so if there is a CPO for microfinance, that is automatically included. For individual programs, mid-term and final program evaluations are required as part of the Credit and Savings policy developed by the MFTT under the ISI.

C. Progress in the Capacity Building Sub-projects

Midterm evaluations of the three capacity-building sub-projects have been carried out independently of this global evaluation. Their major conclusions and lessons learned will be reviewed briefly here.

1. Ghana

The partnership links Plan Ghana with Akoti Rural Bank and Freedom from Hunger Ghana (FFHG). Freedom from Hunger Ghana (FFHG) is charged with institutionalizing its Credit and Savings with Education (CSwE) methodology in Akoti Rural Bank (ARB) over a five-year period (2001-2006). By extending its credit services to CSwE community associations in Plan areas, ARB will benefit by expanding and extending its customer base, increasing deposits, and expanding the volume and scope of its lending services. FFHG will benefit by increasing the number of its rural bank partners and spreading CSwE to a new area of Ghana. Plan Ghana will be able increase the access of its rural communities to sustainable financial services, as well as gaining a good deal of experience in brokering organizational relationships and addressing partner capacity building needs.

Credit/Savings with Education combines a village-banking methodology with a set of primary health care, nutrition, and business practice messages for women. This is of particular interest to Plan Ghana, because it will reinforce other health education campaigns already underway. The targeting of poor women for loan services and health education through CSwE is explicitly intended to increase the welfare of their children.

The overall goal of this sub-project is to "integrate a Credit with Education unit into Akoti Rural Bank that meets the financial and education needs of poor rural women while at the same time improving ARB's profitability"(DIP). Four objectives contribute to goal achievement:

- Establish ARB's technical capacity to deliver CSwE services.
- Deliver CSwE services to a significant number of poor women.
- Apply good partnership principles over the life of project and learn from the experience.
- Make CSwE financially self-sufficient so that it contributes to ARB's profitability.

Evaluation Findings

The project began six months behind the schedule laid out in the business plan (February 2003), so that targets for the midterm (August 31, 2004) were adjusted accordingly. The project is to run for three years with the possibility of a two-year extension.

Outreach

- The targeted number of Credit and Savings Associations (CSAs) had been exceeded at the midterm by about 45%. By August 31, 2004 there were 55 CSAs, instead of the 38 originally expected by that date. The total number of women with loans stood at 1,624, instead of the targeted 1,125, an excess of about 44%.

- Total loan disbursements exceeded the projected figure by about 123%, a far greater excess that can be explained by the excess in women beneficiaries (44%).

- With respect to coverage of Plan communities, by August 31, 2004 the CSwE project had covered 14 of the 18 communities of the ARB catchment area. This exceeded the midterm target of 9 communities by 56%. Thus, 78% of Plan communities are now covered by the project, rather than the 50% projected for the midterm.

- In terms of exposure to educational messages, some 93% of participants (women) said they had participated in the training sessions on diarrhea management, importance of breastfeeding, exclusive breastfeeding, child and infant nutrition, and the business themes of choosing a good business idea, savings, and how to compute profits.

- The pattern of loan repayment was excellent. At the time of evaluation, there were no late or defaulted loans. The loan loss reserve ratio, projected to be 2% at midterm, was zero. No information on previous loan loss ratios and portfolio at risk are reported in the evaluation. Since there were no delinquent loans, the Portfolio at Risk (PAR) was zero. No loans had been written off. By comparison the whole Akoti Rural Bank had a PAR of 6.7%, while that of the Abura Dunkwa agency, where CSwE is located, was 5.5%.

- Total savings was about 11% above the projection for the midterm, although this is not in proportion to the degree to which the project had exceeded membership projections. All women interviewed said that weekly savings had greatly helped them to accumulate funds for their businesses. They went on to say that they would continue to save regularly, even if the credit aspect of the program were discontinued.

- Almost all women claimed in personal interviews that the loans were very beneficial to their businesses. They said that they had realized additional income from loan use and had used this income to acquire business and personal assets. A very high proportion of them (95%) claimed to have invested in their children's education.

- 65% of the association members (women) said that they liked all program aspects, 72% said they considered the loan sizes as adequate, and 90% said they were satisfied with the weekly loan repayment schedule.

- The average annualized rate of return on investment for all those interviewed was 49%. Since 49% was the return after payment of annual interest rate obligations of 45%, the gross rate of return was as high as 94%.

Capacity Building

- The Project Coordinator and project staff indicated that they mastered the project methodology and understood the training they had obtained so far. They expressed confidence in their ability to implement the project when FFHG eventually leaves. In fact, the team had already exceeded the minimum coverage of 50% of the communities in the Bank's catchment area (14 of 18 = 78%).

- At the ARB Board level, only one director understands the project and the roles of all partners well. This will require remedial action. A majority of the directors admitted that they would have to step up their level of understanding and appreciation of the project.

- Integration of project accounts is not occurring as planned. The project area ARB agency manager has not been seriously concerned with CSwE operations. There has not been monthly or regular reconciliation between the project and agency records.

Partnership

- All the collaborating institutions – FFHG, ARB, and Plan Ghana – stated that thus far there have been few implementation problems in partnership operations. The collaboration has on balance worked well. Staff and management were equally satisfied that all partners had played their roles satisfactorily within the period under review.

- The Plan Ghana Microenterprise Coordinator feels that the CSwE methodology is not client-led, that is, it does not respond sufficiently to client needs or problems. The evaluator felt that microfinance learning in Plan Ghana from this partnership has been largely concentrated in the Coordinator and that it was not sufficiently understood by other staff members or management. The Plan Ghana Program Support Manager feels that since the ARB partnership is similar to earlier ones in other areas, there has not been a significant amount of new knowledge generated.

Sustainability

- The health of the ARB loan portfolio is satisfactory at both the agency and overall bank levels. The ratio of bad debt provisions to the bank's loan portfolio in August 2004 was 6.74%. The ratio of bad debt provisions to the Agency' loan portfolio at the same time was 5.52%.

- The project is on track in terms of self-sufficiency ratios. As of August 31, 2004 the operational and financial self-sufficiency ratios were respectively 83% and 60%. These were slightly above the projections for the midterm of 81% (+2.5%) and 58% (+3.4%). Break-even should happen in Year 3 and should be documented at the time of the final evaluation. By comparison, two other rural banks with which Plan Ghana and FFHG have worked in this fashion, Bawjiase and Upper Manya Kro, have profitable CSwE operations that are continuing after the formal end of the partnerships with Plan and FFHG.

- All partners considered the effectiveness and efficiency of the program's financial management and administration to be satisfactory.

Conclusion

The Ghana sub-project evaluator concluded that:

- The project's overall performance has been very good.
- The project has had a very positive socio-economic impact on the beneficiaries.
- Women have accepted the savings products very well.
- The institutional and financial sustainability of the program appears assured.
- The health of the ARB's loan portfolio has so far been very good.
- The partnership among the collaborating institutions has worked satisfactorily.
- However, the CSwE component has not been fully integrated into the Bank's operations.

All in all, this capacity building project appears to be on or ahead of schedule in most of its projected accomplishments. The partnership appears to be functioning well, and the financial and education components have been generally well received.

With respect to drawing up a representative case study for the final evaluation, as suggested by USAID, the Akoti example is probably not the best from the point of view of capacity-building within Plan, since Plan Ghana basically contracted out the capacity building function to Freedom from Hunger-Ghana. While not a demonstration of Plan's technical ability to transform partners, it is a valid approach to effective capacity building and shows Plan Ghana's awareness of its comparative advantages (funding, monitoring) and those of FFHG (training and technical transformation).

A better candidate for a case study example is SAGA, where Plan's inputs (financial, technical, moral support) helped an MFI that started at a very low level, and went through a crisis that almost destroyed it, to emerge on the path to viability. SAGA's progress does come through in the evaluation report, although it will be necessary in a final case study to focus more on how the Plan Country Office capacity changed as it worked to strengthen its partner.

The objective of this case study would be to demonstrate how the partnership resulted in net changes in the Plan CO's capacity to work with microfinance programming, in the partner's capacity to do sustainable and client-responsive microfinance, and in Plan MF Network's capacity to monitor and document progress in capacity building at the country office and microfinance partner level, then disseminate lessons learned throughout Plan. In any case, this documentation needs to wait until the SMP grant nears completion.

2. Kenya

The partnership links Plan Kenya with SAGA Thrift and Enterprise Promotion. SAGA offers a savings-led methodology called SAGASave to poor, mostly female rural clients near Lake Victoria. Members are encouraged to "save at their own pace, allows credit to be used for a variety of purposes, and does not pressure members to borrow when they don't need loans" (DIP). SAGA works with the hundreds of already existing Accumulating Savings and Credit Associations (ASCAs) and improves their operations in a number of ways. The model, if ultimately successful in Kenya, appears well suited to Plan areas in similar areas around the world. Nevertheless, it is still "very much microfinance at the frontier."

The goal of this capacity-building sub-project is for SAGA to become a viable microfinance institution. This is to be achieved by meeting six objectives:

- Improve management systems
- Improve the capacity of SAGA staff
- Develop the capacity of SAGA's member associations to work with SAGA
- Extend SAGA's outreach significantly
- Improve its approach to microfinance through learning
- Make substantial progress towards sustainability

Key Evaluation Findings

- The development of a reliable and flexible management information system was one of the key objectives agreed between PLAN and SAGA. A consulting was firm contracted to develop and initially install four modules: Members Personal Account, General Ledger, Front Office Service Activities, and Payroll. To date the consultants and the new MIS Manager have installed the General Ledger and the Personal Account balances.

- The internal control systems of SAGA were particularly weak and inadequate prior to the new management team assuming office. A Finance Manager has been recruited to implement clear accounting procedures and internal controls, but the position of Audit Manager has not yet been filled. This is expected by December 2004.

- The sudden death of the SAGA founder led the Board of Directors to assume a more direct role in the governance of SAGA. The Board engaged one of their members as a Management Technical Advisor. The Board also initiated a process to redefine the vision and mission of SAGA and its overall strategic plan. This culminated in a Business Plan.

- SAGA has managed to develop an image of a strong and trustworthy institution. Members feel that their savings are safe with SAGA. Much of this image is associated with the partnership that SAGA has with Plan Kenya.

- SAGA has managed to build a strong savings culture by encouraging and making it possible for the groups to open and manage their joint savings and individual accounts. Findings from the field revealed that SAGA is reaching very low-income persons, mainly women.

- SAGA members seem to value the variety of products offered by SAGA, particularly savings. SAGA's main strength is in variety. Low-income members seem to value financial services that are affordable, reliable and available. Members highly value both the savings and loans products that SAGA provides.

- However, SAGA's current loan products are not flexible enough to provide the total variability that members want, especially for school fees and agriculture. SAGA's loan products may not be appropriate for rural subsistence farmers already facing severe problems of drought and hail. SAGA should refine the existing loan products to match client needs. In doing so, SAGA should communicate clearly to clients that this is being done, in order to avoid confusion.

- In order to develop the capacities of ASCAs, SAGA has conducted a training needs assessment and developed a training curriculum and manual that staff and selected consultants will use to train them. The curriculum has modules in organization effectiveness, team building and effective leadership, financial management, records management, participatory monitoring and education, and networking and partnership. Members appear to be pleased with the training they have received thus far.

- SAGA's income statement indicates that it has been operating at high cost, while generating inadequate revenues to fully cover its expenses. The current management team is working on strategies to streamline the operations and turn around the institution's performance.

- SAGA's portfolio has more than doubled every year in the past three years. This is a result of aggressive growth and marketing of loans, but it has been funded by liabilities. Member savings, also counted as liabilities, have also funded a significant portion of the loan portfolio. However, a critical analysis of the balance sheet points to a rapid erosion of the firm's equity capital as a result of cumulative losses.

- Operational Self-sufficiency (OSS) improved significantly over the period, but continues to trail those of peer organizations in the region. In its Business Plan for 2004-2006, SAGA expected an OSS of 36% by end of 2004 rising to 51% in 2005 and 72% in 2006. The evaluation reports OSS at 61% for September 2004, so there seems to be a stronger improvement than expected. Return on Assets will remain negative until SAGA is able to operate profitably.

- Financial revenues have been declining owing to reduced reliance on investment income and declining yields on money market investments over the same period. In addition, the growing loan portfolio has reduced funds for investments. However, SAGA's yield of 29% is almost half that of similar MFIs in Africa. This is too low to support the cost base of this organization.

- SAGA has made commendable progress in growing its portfolio, while simultaneously managing its risk and quality. The portfolio at risk has been reduced from a high of 45% in 2002 to less than 2%, beating even its peer organizations. However, the risk coverage ratio indicates that SAGA's current loan loss reserve is inadequate to cover the value of portfolio at risk.

- SAGA's caseload for loan officers is low and falls far short of its peers. While this may be explained in part by the recent expansion of loan products, the ratio brings into question once again the business model of SAGA and also the underutilization of human resources.

- The Operating Expense ratio (expenses compared to yield on portfolio) at 89% has been steadily improving but remains relatively higher than SAGA's peers. Financially sustainable MFIs have an operating ratio in the 25% range. SAGA will only be profitable when its operating ratio is less than its yield on portfolio (29%).

- While SAGA has registered minimal growth in the number of members (savers), the number of borrowers has more than doubled in the past nine months, underpinning the growth in the outstanding loan portfolio. Equally impressive has been the growth in the value of savings mobilised by members in their ASCAs.

Conclusions

The sub-project evaluators do not provide a set of succinct conclusions regarding the progress of SAGA toward institutional and operational sustainability. It appears that there are a number of improvements that must occur before SAGA can be said to have reached both types of sustainability. Progress appears to be steady, however, and the final evaluation in late 2006 will provide a definitive answer, at least with respect to institution-building efforts under the SMP.

3. Nepal

This partnership links Plan Nepal with Nirdhan Utthan Bank (NUB). Nepal was one of the six pilot countries under the preceding matching grant (ISI – 1996-2001), and the relationship between NUB and Plan Nepal began in 1998.

The sub-project goal has two parts: (1) integrate an education (IEC) component into Nirdhan's solidarity group methodology and operations; and (2) develop and implement within Nirdhan a Client Data Monitoring System (CDMS) that enhances client capacity and Nirdhan's operations, while maintaining sustainabilty. Six objectives will result in goal achievement:

- Adjust Nirdhan's approach to include education that complements financial services.
- Establish a system for collecting, analyzing, and using client data.
- Extend education services to at least 50% of Nirdhan's 2001 client base.
- Apply good partnership principles for learning.
- Develop an organizational culture, systems, institutional linkages, and practices to sustain the education and CDMS components

As pointed out in the DIP, most poverty-focused microfinance programs in Nepal are minimalist (credit only), but the MFTT has long felt that financial services can be combined with education and training to assist poor rural women beyond the impact provided by credit or savings only. Such education can be much more than the health, nutrition, and business messages of Credit/Savings with Education (e.g., the Ghana capacity-building experience). The increased knowledge and empowerment such education conveys to women participants tends to be reflected in the welfare of their children.

The purpose of the CDMS is to integrate qualitative data about clients into the current financial management system, including feedback about client satisfaction. This will also be very useful in judging client impact.

Key Evaluation Findings

The evaluator found that overall the project was about 12 to 14 months behind schedule. Both components are behind schedule, but the CDMS is ahead of the IEC component. Reasons for the delay are primarily managerial, but there is also the issue of the Maoist insurgency in the countryside. The managerial problems appear resolved. Since neither of the two components has been fully developed, neither the CDMS nor the IEC modules can presently be evaluated in operation.

Reasons for the delay are primarily managerial, and these now appear resolved. In retrospect, however, the MFTT now believes that one capacity building activity objective should have been addressed at a time. The initial plan to build capacity in two technical areas simultaneously – each a substantial project – was not realistic.

There is also the issue of the Maoist insurgency in the countryside. Since neither of the two components has been fully developed, neither the CDMS nor the IEC modules can presently be evaluated in operation. However, a number of activities have been completed. For example, Nirdhan and Plan decided to prioritize the CDMS for initial focus and the project has been aligned with the ImpAct project. Anton Simonovich of the ImpAct project carried out an analysis