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PLAN International

Credit/MED Institutional Strengthening Initiative

Mid-term Evaluation
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U.S. Agency for International Development
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Matching Grant Program

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TABLE OF CONTENTS

IV

List of Acronyms

BCDC	Bicol Cooperatives Development Center
CANEF	Centre d'Appui Nutritionnel et Economique
CARD	Center for Agriculture and Rural Development
CAVALCO	Cagayan Valley Confederation of Cooperatives
CMTT	Credit/MED Technical Team
Credit/MED	Credit and Microenterprise Development
CSP	Country Strategic Plan
DID	Developpement International Desjardin
EOP	End of Project
FFH	Freedom from Hunger
IH	International Headquarters
MFI	Microfinance Institution
MIS	Management Information System
NC	National Credit/MED Coordinator
NO	National Organizations
PSM	Program Support Manager
PVC	Office of Private and Voluntary Cooperation
USAID	United States Agency for International Development
WARO	West Africa Regional Office

EXECUTIVE SUMMARY

Despite the substantial resources PLAN International had dedicated to credit and microenterprise development (Credit/MED) programming over the years, by 1994, the organization had yet to achieve the desired result of improved performance at the field level. Rather than press on with a third Matching Grant, the United States Agency for International Development (USAID) approved a two-year Learning Grant to support the design of a new Credit/MED model and strategy. By 1996, steps taken under the Learning Grant showed sufficient promise to convince USAID to award PLAN a $2.25 million Matching Grant to take the design into full implementation. This mid-term evaluation is an opportunity to assess the progress of PLAN's Credit/MED Initiative, to identify priority actions for the remaining two years of the grant, and to determine the prospects for the sustainability of the Initiative within PLAN.

Key Accomplishments

To achieve a different result, the Credit/MED Initiative had to find a way to break old programming habits. The way PLAN is conducting its microfinance program today is different from efforts of the past in that it:

1) insists on using poverty lending models that are guided by core principles, rather than the provision of an undifferentiated mix of financial and non-financial services;
2) consciously works in partnership with specialized service providers instead of building PLAN's own direct service capacity;
3) pilot tests national programs in a limited number of strategically located PLAN countries as the foundation for future replication and institutional support;
4) addresses non-program elements (national office marketing strategies and human resource policies that constrain the pursuit of higher impact and sustainable programs;
5) established a central technical unit and supports its efforts to actively push high performance models and standards at the upper level of PLAN; and
6) improves capacity in high-performance programming at the field level by hiring and training one local staff person at each pilot site to serve as the National Credit/MED Coordinator (NC).

There is evidence presented in the evaluation that each of the above changes has improved PLAN's Credit/MED programming capacity in qualitative terms. Another aspect of improved capacity is expanded outreach, which lends itself to more quantitative measurement. Progress toward accomplishing the Matching Grant targets (number of partnerships, number of pilot and non-pilot program countries adopting high performance Credit/MED programming, and number of clients reached) is on-track, and should be accomplished by the end of the Matching Grant.

While the following section identifies areas where future improvements can be made, the overall direction being pursued is found to be valid. Valid to USAID because PLAN is implementing a program design that is allowing it to reach the indicators put forth in the grant proposal. Valid to PLAN because efforts at institutional strengthening are resulting in improved microfinance programs in the field and in increased ability through the organization to sustain the new approach. And valid to the microfinance industry since PLAN is playing a role in building local institutional capacity for high performance microfinance programming.

Key Recommendations

Recommendations with regard to improving the partnership strategy:

- Provide more clarity of roles and responsibilities in the partnership agreement. This document is crucial because it establishes the performance targets that define the expected results. It is important for both parties to agree on the methods and frequency of monitoring procedures, and for PLAN to ensure that the monitoring occurs as planned, followed by feedback to the partner.
- Establish categories of partners based on their different capacities. Such a scheme would help give a fuller description of the status and needs of partnership network, and allow for the monitoring of progress as the partners mature.
- Define a longer-term strategy for maintaining partnerships that better reflects PLAN's desire to have an ongoing link to the organizations providing services to current and prior sponsored families.
- Continue efforts to analyze what is right and wrong about the partnership strategy. Proceed with plans to undertake a research project to document partnership case studies, identify lessons learned, discuss results in an international PLAN-partner workshop, and eventually produce a set of guidelines for microfinance partnerships in the form of a PLAN manual.
- Look at the Philippine experience to assess the potential of providing funds for re-lending to partners at close commercial rates. One strategy would be to start with soft loans, progressing to market rates as a partner matures.

Recommendations with regard to the monitoring systems:

- Develop a structured format that National Coordinators (NCs) and other field staff can follow when doing field monitoring.
- Seek ways to enhance the strategic use of data being collected. This could be through regularly scheduled sessions between the NC and MFI counterparts, at which time the data could be verified and jointly interpreted.

Recommendations with regard to technical assistance:

- Continue publication of *Credit Lines* at its current level of technical excellence.
- Remain aware of the demands of providing technical assistance to the field, and seek solutions that support growth in the pilot programs and expansion beyond the six pilot sites.
- Continue efforts to work with staff in the national offices (NOs) to establish credibility with donors and secure grants for high-performance programs.

Recommendations with regard to human resource development:

- Consultant assignments should be seen as an opportunity to enhance skills at the field level, with consultants serving as a mentor to the NC. Participation in all externally contracted assignments should be seen as a priority use of his/her time and as a central part of job responsibilities.
- Encouragement of opportunities for the exchange of experiences, both at the country and regional level.
- At the partner level, it is desirable to continue, and in some instances increase, the number of exchanges to other programs.

Recommendations with regard to impact assessment:

- Development of a framework to collect information on program impact is seen as a priority activity to be conducted during the remainder of the Matching Grant, since it will help ensure that credit programming is accepted as a core and valued part of PLAN's program offerings.

Recommendations with regard to a Credit-Plus model:

- PLAN can help get more from its integrated approach by deciding on the core set of messages it wants to convey as a child-focused institution, and developing a more standardized package of flip charts and staff training materials.

Recommendations with regard to the pilot country experience – Bolivia:

- PLAN/Bolivia should seek to maximize its role in rural finance by developing a strategic financial plan effectively grounding this process in the reality of what it can and must do to achieve success.
- Given the relatively advanced microfinance industry in Bolivia, PLAN/Bolivia has should develop a more market based perspective by extending soft and hard-term loans with stricter financial requirements.
- PLAN/Bolivia should work in conjunction with the CMTT, to continue to invest resources to measure the socioeconomic impact of the microfinance products made available through PLAN.
- PLAN/Bolivia's next challenge is to achieve a wider penetration into the rural areas of Bolivia developing financial products, which respond to the needs of agricultural producers.
- PLAN/Bolivia should work closely with CMTT to identify technical assistance in business development services.

Recommendations with regard to the pilot country experience – Mali:

- The experience of PLAN/Mali shows that the partnership agreement can be used to develop a more precise understanding of the roles and responsibilities of each partner. It is recommended that PLAN/Mali regularly review the partnership agreement established with Nyesigiso (every six months to a year) to ensure that the relationship continues to serve both partners and that each is benefiting from the partnership.
- Care must be taken to ensure disbursements to partners are made in a timely fashion.

- PLAN/Mali should continue to build its partnership with Nyesigiso, and develop a strategy for selecting and developing new partnerships that bring financial services to all four PLAN areas (Nyesigiso only covers two).

Recommendations with regard to the pilot country experience - The Philippines:

- The National Credit/MED Coordinator needs to spend more time in the field with the partners. This is particularly true for CAVALCO who is a start-up program with no experienced staff, and needs immediate exposure to experienced implementers like CARD.
- Consultancies should be viewed as an opportunity for PLAN staff to: (1) enhance their own skills through observation/participation and (2) become familiar with the technical details of the partnership, which should improve the ability to monitor effectively. This is seen as a priority use of PLAN staff's time.
- As the eyes and ears of the National Credit/MED Coordinator, the program area MED coordinators can be better developed to enhance their effectiveness. Specifically, their link with the National Coordinators and other area coordinators should be strengthened to stimulate learning.
- A strategy for quickly engaging in partnerships with as many as 6 different institutions to achieve full geographic coverage could stretch the management capacity of PLAN staff. The focus should be on quality partnerships that are able to achieve significant scale.
- The policy of charging market based interest rates should be continued in the Philippines and expanded to other pilot countries.

Recommendations for improving the outreach of Credit MED Technical Team (CMTT) functions include:

- The remainder of the grant period should be used to pilot test a new structure for providing technical assistance. There is logic in placing the on-site technical assistance and training functions of CMTT closer to the country sites, i.e., through a regional position. To demonstrate relevance to country programs, it is recommended that this transition be started slowly, where there is a critical mass of program activity to make it cost effective. At the present, the West Africa Region (WARO) seems a logical candidate to pilot this experiment, since it could build on the extensive regional collaboration that is already underway. Another way in which this position can remain relevant is to link the advisor to very specific duties. During the remainder of the grant, the CMTT and director of program can be working with other regional directors to best determine whether the above or some other approach will work to provide technical assistance support in their region.
- International Headquarters (IH) needs to develop a plan for maintaining the more strategic functions of CMTT, which transcend the coordinator role that PLAN has traditionally used. These include such activities as coordination with the NOs, policy development, production of a technical newsletter, and international representation.

Summary of the recommendations emerging from the discussion on sustainability:

- PLAN should continue to use branch sustainability as the primary indicator of its partner's sustainability performance, e.g., the targets appearing in the partnership agreements. However, PLAN is also encouraged to consider the broader context in which PLAN branch operations occur by monitoring the self-sufficiency of the partner's entire credit operation. Technical assistance in developing a sustainability plan for the entire program, is seen as an opportunity for PLAN to add value to the partner organization that goes far beyond its individual investment in a branch.
- As an indicator of country level sustainability, CMTT could consider developing a simple tool to define and measure more qualitative terms like "functioning NC and staff dedicated and trained specifically for Credit/MED programs" and "a team supporting the program".
- Develop a sustainable mechanism to ensure that technical support will be sustained after the end of the grant period. Development of a strategy to implement this recommendation should be a priority for PLAN during the remainder of the grant. A complete sustainability strategy for the provision of technical assistance would need to fully address the issues of organizational structure/location of positions (direct hire vs. contract), number of positions, functions the positions would fill, and full budgets of costs along with the sources of financial support.
- Continue to collaborate with NOs to secure long-term financial support for programs. This should include expanding the successful marketing efforts of a NO to other organizations, exploring options for building a *capital fund* and further developing the capacity of NO staff to secure technical grants from donors.

1. INTRODUCTION

1.1 History of Matching Grant

On September 1, 1996, PLAN International/Childreach was awarded a $2.25 million Matching Grant from the United States Agency for International Development's, Office of Private and Voluntary Cooperation (USAID/PVC), which PLAN will match with an additional $2.7 million in technical assistance and support as well as $12 million for program activities with partners. The purpose of the five-year agreement is to: 1) introduce high-performance credit and microenterprise development (Credit/MED) models linked to education and health which have high impact on children; 2) build widespread understanding, capacity and commitment for incorporating modern development approaches into PLAN's programs, administrative and resource systems; and 3) establish operating models to select, partner with and develop cost-recoverable Credit/MED intermediaries.

The seeds of the current Matching Grant were planted in 1994, when USAID and PLAN each invested $450,000 in a two year Learning Grant to design a Credit/MED approach that would incorporate high technical standards and fit into PLAN's mission and organizational structure. PLAN has a long history with Credit/MED programs, including two Matching Grants (1984-1990). Despite the substantial resources PLAN had dedicated to MED programming, by1994 it had yet to achieve the desired result of improved performance at the field level. Rather than approve a third Matching Grant proposal, USAID/PVC awarded a Learning Grant to allow PLAN to enter into a strategic planning phase that would result in a quality design for a Matching Grant. PVC saw the potential of improving the program quality of one of the largest child-focused, development organizations in the world. However, given two previous failed attempts to improve PLAN's technical capacity in credit programming, PVC wanted to see evidence of progress before additional investments were made.

Several key accomplishments during the Learning Grant prepared the foundation for PLAN's current Matching Grant. Perhaps most important was the establishment of the Credit/MED Technical Team (CMTT) to provide leadership and technical support to field programs. The three-member CMTT (Coordinator, Program Liaison, and Administrator) is located in Arlington, VA and reports to the Director of Program at International Headquarters in Woking, England (near London). Another important accomplishment was the identification of a program model that would meet the rigorous standards of microfinance development and also contribute to the socioeconomic goals of the institution. PLAN chose to adopt nine principles which are inherent in all of its Credit/MED programs and form a framework of common terminology and understanding of microcredit:

1) provide loans, not subsidies;
2) apply "starter systems" for new borrowers;
3) focus on women;
4) organize large groups of borrowers;
5) mobilize savings;

6) promote community management of financial services;
7) operate credit as a development enterprise; and
8) build institutions beyond the community.

Since PLAN is a generalist PVO and does not have the expertise or inclination to provide direct financial services, it chose to establish partnerships with local MFIs who have a demonstrated ability in providing cost-efficient financial services and experience working with members of PLAN's client population. The Learning Grant was used to build a constituency and create an informed demand for Credit/MED activities within PLAN. An important aspect of the strategy was the decision to demonstrate high performance programming within a select number of pilot country programs. The six Learning Grant pilot countries, one in each region, carried on into the Matching Grant. Finally, the timing of the 1994 Learning Grant was fortuitous in that it coincided with PLAN's broader effort to improve programming for the next decade (known internally as *New Directions*). An early advisor to CMTT was able to participate in an important part of this movement, the Bramley Conference, and succeeded in getting microenterprise activities included in the organizational goals for the *Livelihood Domain.*

1.2 Overview of PLAN International

PLAN International is one of the world's largest child-focused, development organizations, with an annual budget of $253 million in 1998. Child Sponsorship is the basic foundation of the organization, providing about 90% of its total income. Sponsors contribute through one of the 14 National Organizations (NOs) that are responsible for recruiting and serving Foster Parents and other donors. These funds are funneled into International Headquarters (IH) near London who disburses them to 42 Program country offices. PLAN is a highly decentralized organization where program decisions are largely made at the country level, and coordinated through 6 Regional Directors.

PLAN provides assistance to over 1.1 million sponsored children and their low-income communities. Money from sponsors is pooled and used to support integrated community development projects in each PLAN community. In 1996, PLAN identified five program areas called *Domains*. These are Growing up Healthy, Learning, Habitat, Building Relationships (between Foster Children and their sponsors) and Livelihood. The *Domains* that define what PLAN is attempting to achieve in its programs, are supplemented by seven program principles which define how its work will be carried out, e.g., child centerdness, institutional learning, integration, gender equity, environmental sustainability, empowerment & sustainability, and co-operation. The actual composition of country programs differs according to local needs, existing resources, and the locale. The Credit/MED Initiative is encompassed within the *Livelihood Domain* Program, and must also adhere to the seven program principles.

Traditionally, PLAN has not placed priority on ensuring the long-term sustainability of its programs. With a dependable and growing funding base, PLAN is financially able to stay in a community and continue supporting projects as long as it perceives families need the services. This has meant that PLAN has approached development from a different perspective from organizations working under limited grant funding that is expected to eventually end. There is also a strong corporate belief that PLAN is primarily accountable to its sponsors, and is thus mandated to provide basic services to sponsored children and their families. Given PLAN's financial resources and attention to sponsorship accountability, there has been little pressure to make programs sustainable.

Prior to the 1994 New Directions, PLAN was not an organization known for excellence in technical program areas like health, sustainable agriculture, or MED. External evaluations have noted that technical advisors have not worked well within PLAN because they are not in-line positions, have no authority, and generally work in the absence of internal staffing policies and systems that retain and reward staff based on technical quality. In a large, generalist agency that has traditionally permitted country offices and partners wide latitude to do whatever they wanted programmatically, it is difficult to build a consensus around the requirements for technical competency at the field level and the role of technical assistance from IH. It is also difficult to convince country offices, which have the power to make program decisions, to surrender some autonomy and diversity to achieve a more powerful program. The focus that comes through the introduction of technical rigor most often means stopping an old way of conducting business.

The Credit/MED Initiative is an innovation for PLAN. It is designed to address, or at least work within, the realities described above.

1.3 Purpose of Evaluation

This mid-term evaluation occurs with a full two years of implementation remaining in PLAN's Matching Grant for Institutional Strengthening of Credit and Microenterprise Programming, referred to throughout this document as the Credit/MED Initiative. The purpose of the evaluation is to assess the accomplishments of PLAN International to date, its prospects for achieving the overall objectives of the Matching Grant, and to provide recommendations for the remainder of the grant period. The scope of work, which is provided as Appendix 1 specified four major areas of inquiry: 1) the effectiveness of the models, approaches and assumptions that underlie the program; 2) the status of strategic partnerships in the field with local microfinance institutions; 3) changes in PLAN's management and program capacity as a result of the Matching Grant; and 4) progress toward sustainability of the Initiative at the level of PLAN's microfinance partners, the country program, and the wider institutional level, including IH and the NOs. The analysis presented in this report is organized around these four broad areas.

1.4 Evaluation Methodology

The fieldwork for this report was conducted during the period May 30 through June 25, 1999. The analysis was based on review of USAID grant documentation, numerous internal documents and reports, financial statements of partners, prior evaluations, and interviews with PLAN and partner staff. The field assessments were conducted by following teams:

The Philippines	6/1 – 6/8	Devorah Miller, independant external evaluator Delores McLaughlin, PLAN/CMTT Simon Early, PLAN/IH Audit Division
PLAN Australia IH and PLAN UK	6/9 – 6/13 6/14 – 6/16	Miller & McLaughlin
Mali	5/31 – 6/10	Jacky Bass, independent external evaluator John Schiller, PLAN/CMTT
Bolivia	6/21 – 6/25	Bass & Schiller Amer Jabry, PLAN/IH Program Division
Childreach (PLAN US)	6/30	Miller, Bass, McLaughlin, & Schiller

A decision was made at the planning stage of this evaluation to focus on the effectiveness of the Initiative at the PLAN Country Office and partner headquarters level. This strategy left limited time for observation of credit group meetings, but maximized time with individuals who were making policy decisions regarding implementation.

2. PLAN's CREDIT/MED INITIATIVE

2.1 Program Description

PLAN's current Matching Grant supports its five-year, institutional strengthening Initiative to improve the well-being and economic security of its target beneficiaries – needy children – by increasing access to credit and training for poor women. PLAN seeks to do this by: 1) improving field staff awareness of effective microenterprise lending models linked to education which have high impact on children; 2) implementing those models by working through experienced partner organizations; and 3) incorporating appropriate administrative and support systems within PLAN to support those models.

PLAN's strategy for carrying out its Credit/MED Initiative has three major components. One is to create a Credit/MED Technical Team (CMTT) whose function is to articulate an effective approach to credit and training for poor women, coordinate implementation of that approach in the field and interact with non-program divisions within PLAN to gain support and promote institutionalization of the program. The second part of the strategy is to designate six pilot countries (one in each of PLAN's six geographic regions) through which credit and training program models will be implemented. These pilot experiences are to be documented and the lessons-learned used to influence Credit/MED programming in other countries. The pilot countries from the Learning Grant were continued, e.g., Bolivia, Guatemala, Kenya, Mali, Nepal, and the Philippines. Of these, it was agreed that Guatemala, Kenya and Nepal would be funded only with PLAN resources. The third component is to work with the non-program portions of PLAN to build understanding and appreciation for the Credit/MED Initiative, i.e., work with the NOs and the accounting and audit departments. Each of these components will be further explored throughout this report.

The Credit/MED Initiative is different from PLAN's MED efforts of the past in that it:

1) insists on poverty lending models that are guided by core principles, rather than the provision of an undifferentiated mix of financial and non-financial services;
2) consciously works in partnership with specialized financial service providers instead of building PLAN's own direct delivery capacity;
3) pilot tests national programs in a limited number of strategically located PLAN countries as the foundation for future replication and institutional support;
4) addresses non-program constraints (NO marketing strategies and human resource policies) to the pursuit of higher impact and sustainable programs;
5) establishes a central technical unit and supports its efforts to actively push high performance models and standards at the user level of PLAN; and
6) improves capacity in high-performance programming at the field level by hiring and training one local staff person in each pilot site to serve as the National Credit/MED Coordinator.

There is one other important difference in the context in which the Credit/MED Initiative operates. Unlike earlier efforts, the principles and approach CMTT has defined are now part of PLAN's Program Directions (Livelihood Strategic Objective #2, Program Guidelines) and have been formally accepted as official PLAN policy (Credit and Savings Policy approved in August 1998 and the Field Operations Book). The articulation of these strategic objectives and program guidelines and the formal adoption of the Credit and Savings Policy have been significant in the acceptance of microfinance and the CMTT as legitimate parts of PLAN's programming system. The existence of the Credit and Savings Policy has all but ended the debate on the appropriateness of microfinance to PLAN's mission and has increased demand for CMTT's services by programs that are now anxious to comply with it.

2.2 Targets

The following table indicates that PLAN is making acceptable progress toward its program targets. Furthermore, it is deemed that PLAN is tracking the correct indicators, and therefore no changes in this area are recommended.

PROGRESS TOWARD PROGRAM TARGETS
1998

	# of Partnerships	# of Operationally Sustainable Partners	# of Clients	% from PLAN Families	% Women
Pilot Program Countries (target = 6)					
Bolivia	5	2	16,117	33%	81%
Guatemala[1]	1		Na		
Kenya	2		1,101	53%	33%
Mali	1		1,282		
Nepal	2		4,056	72%	73%
Philippines	4	1	7,393	27%	100%
Other Countries (target = 12)					
Tanzania	1		1,454	1%	
Togo	1		3,947	38%	100%
Burkina Faso	1		1,901		100%
Senegal	1		337		100%
Bangladesh	2		2,095		
TOTALS	**21**	**3**	**39,683**	**32%**	**78%**
EOP TARGETS	**20**	**10**	**100,000**	**50%**	**80%**
% of Target Achieved	**105%**	**30%**	**40%**	**65%**	**98%**

Under its Matching Grant, PLAN has targeted to have a total of 100,000 clients receiving credit services by the end of the cooperative agreement period. As the above table illustrates, mid-way through the grant 40% of this important indicator of progress has been achieved. With a partner base now established, the number of clients target is well within reach. This is even with the slow start-up in Kenya and Guatemala, which both seem to now be on track. Another factor that makes it likely this target will be achieved is that PLAN can meet it by counting clients in both pilot and non-pilot Initiative countries. PLAN has already achieved its number of partners target, and has done this by working in 5, rather than the targeted 12 non-pilot countries. While replication into non-pilot countries does indicate acceptance within PLAN, the number of countries is not the

[1] A partnership agreement was signed around the time of this writing, and the first loans will soon be disbursed.

most important indicator of performance. It is the number of clients and number of sustainable partners that should drive the number of countries that are selected to work with. This being said, having fewer than the targeted 12 non-pilot countries is not necessarily seen as a negative outcome, as long as the 100,000 client target is achieved.

A more challenging target to accomplish is the establishment of 10 operationally sustainable partners, which PLAN defines as the number of sustainable branches created under its partnership agreements. Only three partners are currently reported as being operationally sustainable. There are three additional partners who are close, i.e., more than 90% sustainable. New agreements in Mali and Guatemala are with strong partners who operations should make quick progress toward sustainability. Since only two years remain, achievement of this target will be difficult. Nevertheless, it is an important goal because the establishment of 10 sustainable partner branches will demonstrate that PLAN has found a methodology that consistently results in cost-recoverable Credit/MED intermediaries.

3. PROGRAM ELEMENTS

3.1 The Partnership Strategy

A key component of the Credit/MED Initiative is that PLAN will form partnerships with local financial institutions and support them to become sustainable, rather than directly providing the services themselves. Some of the practical benefits of this approach include:

1) Avoids duplication: As the field of microfinance matures and expands, it is increasingly likely that local non-governmental organizations (NGOs) have established MIS and financial management systems and high-performance methodologies. Given that PLAN's interest is in providing financial services within its program area, using existing capacity avoids the creation of a parallel provider.
2) More cost-effective: Since much of the up-front investment has already been made by the local institution, more of PLAN's investment goes to increasing the amount of loan capital available to clients.
3) Quick start-up: The more developed the existing capacity of an organization, the more quickly support will result in credit services being received by the target client group.
4) Separation of program relationships: Traditionally PLAN programs fall within a humanitarian assistance paradigm. When it has attempted credit, PLAN staff have had difficulty enforcing loan repayment discipline with sponsored families. When credit services are delivered by a partner organization, PLAN is better able to distance itself from conflicts and expectations that arise from prior relationships.
5) Provides an exit strategy: By investing in a sustainable institution, PLAN supports a process that can provide the community benefits after its withdrawal from a program area.
6) Opportunity for learning: When done well, partnerships are constructed so that both parties benefit from the others comparative advantage. PLAN is able to tap into

skills and operational experience that it does not have internally. From the local NGO's perspective, PLAN brings access to financial and technical resources needed for expansion, and access to a large client base.

7) Strategy for global coverage: As of this writing, PLAN is working in 42 countries, and has 1.2 million sponsored children. The partnership strategy provides a solution to reaching them without creating a huge technical staff.
8) Absorption of sponsor funds: In the future, a centrally managed loan capital fund could be used as a liquidity management tool for the partner network. This mechanism would allow PLAN to work with its most mature and high performance partners to move relatively large amounts of sponsor money with a minimum of programming staff. It is important to remember, however, that this will be possible only after the initial investment has been made in developing strong partners.

The Credit/MED Initiative has chosen what PLAN refers to as a "shared vision of partnership" model. Under this approach, as defined by the International Development Research (IDR), an international NGO collaborates with a local NGO on the basis of a shared development goal or vision. The NGO's role is to design and implement the program to meet the agreed goals and outcomes. The international NGO provides financial and other resources (such as technical assistance and training) that enable the NGO to succeed. The international NGO also plays a strong part in program monitoring, providing the local NGO with critical and constructive feedback on its progress. Both parties in the partnership should possess a commitment to learning and should use the partnership for this purpose. An illustration of this point appears in the Mali section later in this report.

3.1.1 Partner Selection Process

Accomplishments: A six-step process (summarized in Appendix 4) for the selection of partners has been developed by CMTT in collaboration with PLAN/Bolivia and other field offices. The selection process is basically solid, and can be expected to continue to evolve over time. The institutional assessments reviewed of partners in Mali, Bolivia, and the Philippines were of a high quality, and provided PLAN the information they needed to make an informed decision to move forward. The 21 Partners selected to date represent a wide range of implementation capabilities, but do reflect a shared vision and commitment to high performance program principles.

Issue: A suggested refinement of the partnership model is the establishment of categories of partners based on their different strengths and needs. In the majority of cases, PLAN has been able to work with well-regarded institutions, such as CARD (Philippines), Pro Mujer (Bolivia), K-REP (Kenya), Nirdhan (Nepal), and Genesis (Guatemala). Experience has shown that the ideal partner is not always available, and that PLAN must then work with less experienced service providers. This is a reality PLAN will increasingly face as it attempts to cover all of the program areas within a country. Their top choice(s) may not be willing or able to provide complete coverage for them, forcing PLAN to look at next best alternatives. Weaker partners cost more to develop, the results are less predictable, and a different package of technical assistance is required. It also places more pressure on PLAN to become more involved in institutional development. On the positive side, it is often easier to introduce new practices to less experienced practitioners, before they develop a rigid mindset. A country program may want to have a mix of mature and less experienced partners. The point being made here is that there is a limited capacity for taking on less experienced partners within a limited time frame, and that care must be taken to match growth with the capacity to manage the partnerships well. A classification scheme helps clarify the existing and desired capacity and allows for the monitoring of progress as the partner matures.

3.1.2 Partner Administration and Management

Accomplishments: As it has learned to select its partners, PLAN is also learning how to manage the partnerships. Implementing the partnership strategy has not been easy, with unfortunate examples of what can go wrong. For example, while PLAN selected one of the best microfinance implementers in the Philippines, CARD, it had difficulty with its own staff supporting the partnership. Experience has provided lessons on how to work better. Examples of the institutionalization of the learning include the following: the 'art of partnership' issue of *Credit Lines*, the focus on the CARD experience at the second annual coordinators meeting in the Philippines, writing of a case study on the CANEF (Mali) experience, and analysis of PLAN/Kenya and BIMAS in the PVC supported IDR study of North-South partnerships in East Africa. The CMTT has made it a priority to focus on analyzing what is right and wrong about each partnership and engaging the National Coordinators in a learning process on the subject. A future vehicle that is now in the concept stage is a research project with IDR to document partnership case studies, identify lessons learned, discuss the results in an international PLAN-partnership workshop, and eventually produce a set of guidelines for microfinance partnerships in PLAN in the form of a manual. This research effort is encouraged, and is seen as another element of the institutionalization and refinement of the partnership model.

Issue: *Clarity of Expectations*
The evaluators found that many of the problems faced in the implementation of the partnership stem from a lack of clarity in expectations. While there is a general understanding of what each organization will contribute and benefit, PLAN should more explicitly incorporate roles and responsibilities into the partnership agreement. The partnership agreement is also a crucial document because it establishes the performance targets that define the expected results. It is important for both parties to agree on the methods and frequency of monitoring procedures, and for PLAN to ensure that the monitoring occurs as planned, followed by feedback to the partner.

Issue: *Field Staff Support*
Another aspect of the partnership deals with PLAN's own staff. The transition from a charity vision is difficult and sometimes impossible for older staff to make. In some instances; resistant staff have actually sabotaged relationships between the microfinance partner and PLAN. To avoid partners receiving mixed messages, the National Coordinator needs to be supported as the main spokesperson for PLAN at the country

level. Senior management must also be prepared to intervene if there are indications that the partnership does not enjoy full support at the field level. One partner shared with the evaluation team that the best way PLAN could have helped the partnership process was in seeing that its own staff did not obstruct the process.

Issue: Loan Terms
The Philippines pilot illustrates another way in which the partnership process can be strengthened. In that country program, all funds for re-lending are provided to partners as loans priced at close commercial rates. This is a policy that is recommended for other country programs. As a practical matter, it is appreciated that immediate transformation to this policy may not be possible. As it enters into partnerships, a part of PLAN's comparative advantage is its ability to provide inexpensive loan capital. If it didn't have that, it could loose some attractive opportunities. A solution to this problem is to start with soft loans, and progress to market rates as a partner develops. To continue to offer subsidized loan capital can slow mature partners' development of linkages with the commercial fund markets.

Issue: Longer Time Horizons
Today, the partnership agreements have a very limited time horizon, covering the period of immediate provision of financial services to PLAN program areas and the repayment of loan capital. PLAN is encouraged to begin to define a longer-term strategy for its partner relationships that better reflects its desire to have an ongoing link to organizations providing services to current and prior sponsored families. Some examples of this longer-term relation include continued access to a national loan capital fund, participation in a network of national partners, mentoring of new partners in other areas, to name a few. There is also a need to consider how partners will continue to report to PLAN after a formal agreement ends.

3.1.3 Recommendations on the Partnership Strategy

PLAN's partnership strategy enables a generalist agency to guide and support the work of specialized entities that share a common goal of providing sustainable financial services to the poor. Credit services are delivered to families which are of interest to PLAN, without it having to develop that expertise itself. PLAN ends up playing the role of an educated consumer and donor who turns to the market to find an organization who can provide the right mix of financial services to its target group of families. Is this good for the microfinance sector in any given country? To the extent PLAN plays its role well, the answer is yes. The approach of working with the best available provider helps direct resources to the most efficient and effective organizations. Through partnering, PLAN can provide institutional support without competing directly for clients and scarce funding. PLAN adds value to the countrywide efforts by increasing the institutional capacity to reach disadvantaged groups – especially women. Through its insistence on high performance programming, PLAN also adds its voice to other efforts to promote best practice techniques.

While it has not always worked perfectly, CMTT's partnership strategy is seen to be workable. PLAN continues to learn how to form more effective partnerships. The two basic alternatives to partnerships are the direct provision of credit services or contracting. For an organization that can afford to purchase goods and services, contracting has a certain, initial appeal. However, that option has the risk of shifting an organization's focus to compliance with contract terms, and away from program effectiveness and learning. Partnership is also the strategy with the most appealing approach to sustainability, in that it is based on the partners' achieving financial self-sufficiency. On balance, the partnership option appears to be the correct choice for PLAN.

The following is a summary of recommendations for strengthening the Credit/MED Initiative's partnership strategy:

- Provide more clarity of roles and responsibilities in the partnership agreement. The partnership agreement is a crucial document because it establishes the performance targets that define the expected results. It is important for both parties to agree on the methods and frequency of monitoring procedures, and for PLAN to ensure that the monitoring occurs as planned, followed by feedback to the partner.
- Establish categories of partners based on their different capacities. Such a scheme would help give a fuller description of the status and needs of partnership network, and allow for the monitoring of progress as the partners mature.
- Look at the Philippine experience to see the potential of providing funds for re-lending to partners as loans priced at close commercial rates. One strategy would be to start with soft loans, progressing to market rates as a partner matures.
- Define a longer-term strategy for maintaining partnerships that better reflects PLAN's desire to have an ongoing link to the organizations providing services to current and prior sponsored families.
- Continue efforts to analyze what is right and wrong about the partnership strategy. Proceed with plans to undertake a research project to document partnership case studies, identify lessons learned, discuss results in an international PLAN-partner workshop, and eventually produce a set of guidelines for microfinance partnerships in the form of a PLAN manual.

3.2 Monitoring Systems

Accomplishment: Under the Matching Grant, the National Coordinators (NCs) began to provide quarterly reports on partner performance to CMTT. The monitoring system being implemented was developed by a microfinance consultant to CMTT, and is described in detail in PLAN International Credit/MED Institutional Strengthening Initiative Monitoring System for Field Coordinators and Implementing Partners, November 1997. All NCs received training in the use of standardized forms, and PLAN has passed, as of this writing, the first milestone of collecting data in a systematic manner. This is acknowledged as an important accomplishment of the Credit/MED Initiative. The quality of the monitoring manual is found to be high in the following: appropriateness of the indicators; composition of the reporting formats; conformity of international norms, etc.

Issue: Quality Control
During this evaluation, it was not possible to verify the accuracy of the data being provided by the partner. A general impression formed is that the quality of the data varies among the partners depending on their systems development. In the final analysis, it is the NC who is in the best position to recognize and question data inconsistencies. The NCs must be relied on to act as PLAN's quality control. Conversations with NC's confirmed that their judgement about data reliability and system weaknesses develops as they gained experience. To date, most meetings with partners have focused on data collection issues. With a data collection process becoming more institutionalized, it is now time to focus on improving the quality of the data, interpreting it, and using it to make decisions.

Recommendations: The following are suggestions as to how the data being collected can be better used for making decisions.

- Developing of a structured format that NCs and other field staff can follow when doing field site monitoring.
- Holding regular sessions between the NC and MFI counterparts, at which time the data could be verified and jointly interpreted.

3.3 Technical Assistance and Institutional Learning

Accomplishment: An important part of PLAN's institutional capacity in Credit/MED programming is its ability to provide technical assistance. The role of CMTT is to document and share technical expertise with NC's who in turn support local partners. A principle way this objective has been accomplished is through a technical newsletter called *Credit Lines*. (See Appendix 4 for a summary of information presented in the newsletter.) Interviews with country staff indicate that the newsletter is well-regarded and regularly consulted. Each issue addresses a particular theme, like sustainability or business planning. *Credit Lines* has been successful in presenting complex topics in understandable language, and provides practical implementation guidance. It is the opinion of the evaluators that *Credit Lines* is the single most important tool CMTT uses to provide direction to the field. A feature that was found to be particularly worthwhile is the inclusion of a list of source technical reference documents that relate to the topic covered.

Accomplishment: Workshops, training courses, and exchange forums play an important part of CMTT's strategy. One example of an opportunity for shared lessons and exposure to other programs is the annual meeting, expanded this year to include representatives from three non-pilot countries and one NO. Some events, like the ratio analysis courses, occur at the country level, others are regional, and some are international. Examples of international training that has proven very effective include sponsoring NC's and partner staff to the Boulder MED/MF training series and Grameen Replication exchanges.

Issue: An observation about the Boulder program is that additional benefit could likely be gained by providing more pre and post training guidance. For courses like business planning and MIS, NC's should be paired with partner organizations in their country to provide a more applied context to the training.

Accomplishment: Several people pointed to the Credit/MED Initiative as providing an example for PLAN as to how to approach institutional learning. Specifically, the Initiative's approach to learning was seen to be important to PLAN's overall needs and objectives in this area.

Accomplishment: A significant amount of CMTT time and effort has been devoted to establishing the one-on-one relationships with the pilot countries, i.e., e-mails, visits, phone calls, document review, identifying consultants, etc. This process was necessary to bring about technical strengthening, and illustrates that there is no easy way to bring about qualitative program change. Both the partners and PLAN staff want more technical assistance. During these formative years, CMTT has spent a lot of time delivering these services directly.

Issue: Source of Technical Support
As PLAN expands the Initiative into new countries, alternatives to a reliance on two IH positions for technical support will need to be found, freeing CMTT staff to focus on more strategic endeavors. Suggestions as to how this might occur are discussed in the next section on Human Resources. To limit the cost of hiring full-time technical staff, the extensive use of consultants is part of the Initiative's strategy. The quality of the reports reviewed was high. In general, PLAN appears to hire among the best consultants available, on a country, regional, and international level. This strategy allows PLAN to have access to high quality expertise, paying only when they need it. However good, consultants are only one part of the solution. Ultimately, a core of resident technical expertise is needed at CMTT and at the field level, e.g., the NC.

Accomplishment: Another aspect of CMTT's technical assistance includes working with NOs, whose new understanding of microfinance has altered their approach to educating sponsors, interacting with donors for microfinance grant funding and integrating the concepts of high performance microfinance programming into their other programs. This new approach to both donors and sponsors, which focuses on technical excellence, accountability, cost-recovery and sustainability, has stuck a responsive cord. The other change is the establishment of and commitment to performance standards. It was interesting to note that many outside of the credit program area feel that the technical rigor of the Initiative has already helped to redefine the way terms are used within PLAN, e.g., scale, partnership, high performance programming, cost recovery, and sustainability.

Recommendations regarding technical assistance include:

- Continuing the publication of *Credit Lines* at its current level of technical excellence.
- Remaining aware of the demands of providing technical assistance to the field, and seek solutions that support growth in the pilot programs and expansion beyond the six pilot sites.
- Continuing efforts to work with staff in the NOs to establish credibility with donors and secure grants for high-performance programs.

3.4 Human Resource Development

Not only was PLAN redefining its program direction as the Initiative began, it was also undergoing an extensive re-structuring of field operations. Instead of multiple field offices operating as isolated programs within a country, the new structure supports national programming interventions operated within common guidelines for all program units within the country. This national approach has made it possible for CMTT to have a much greater impact at the country level.

Accomplishments: One of the key elements of PLAN's institutionalization of high performance Credit/MED programming was the creation of a "national team" lead by a full-time, National Credit/MED Coordinator. The "team" in the fullest sense of the word includes the Country Director, the Program Support Manager (PSM) who directly supervises the coordinator, the National Coordinator, and the credit coordinators at the program unit level (these positions are usually not fully dedicated to Credit/MED). Much of the success of CMTT has been its ability to develop credibility and support at each of these levels.

While senior management support at the field level is crucial, it is clear that the success of PLAN's Credit/MED Initiative ultimately hinges on the ability of each of the National Coordinators to identify, develop and manage effective partnerships. At the end of the day, everything else the Initiative is attempting to accomplish (including policy reform and resource mobilization) is only relevant to the extent to which activities support the National Coordinators. Given that the outcome of the Initiative relies so heavily on this individual, the evaluators spent considerable time considering how skills can be enhanced beyond the training opportunities already provided by CMTT.

Issue: Consultants as Mentors
PLAN's strategy relies heavily on the use of external consultants for most of the technical components of its strategy, like partner evaluations and institutional assessments. Typically, PLAN staff does not participate in these activities. This is seen to be a lost opportunity to develop an internal capacity. It is recommended that PLAN see consultant assignments as an opportunity to serve as mentors to the National Coordinator. Participation in all externally contracted assignments should be see as a priority use of his/her time and seen as a central part of job responsibilities.

Issue: Developing field staff
One cluster of country-level staff who has yet to be formally organized are program unit or area credit coordinators. PLAN is encouraged to develop cost-effective mechanisms to challenge these staff to think critically about their work, share their critiques, and work jointly for improvements. One caution is raised in this regard. Field staff are already burdened with many demands on their time. Therefore, it is important that any meetings or forums be structured around producing a specific product or enhancing a specific skill. One example of an appropriate topic for an area coordinator meeting might be to focus on one partnership. In this case, one area coordinator would make a formal presentation of the current status (comparing targets to actual performance) and priority actions for the next year. The other area coordinators would be expected to provide peer review of that partner's performance, and offer suggestions for improving the partnership. In the process, all parties can benefit from the exchange.

Issue: Staff Turnover
Like many NGOs, PLAN has been experiencing high staff turnover in its country programs. This was particularly noted in Mali. In reality, this problem is not unique to PLAN. Nevertheless, if staff turnover can be minimized by internal policies, of course it should be. Otherwise, PLAN is encouraged to be realistic, and develop a strategy for facilitating the training of new staff. It is also noted that not all turnover that has occurred is negative. Mobility at the country management team level can spread the commitment to high performance programming to other countries. This was seen in both Mali and the Philippines.

Issue: Partner staff development
Site visits conducted during the evaluation revealed that partner staff also need further development. This can most effectively be accomplished through additional exposure visits to more experienced PLAN partners. In the Philippines, CALVALCO represented an example of a young, inexperienced partner, who could gain much from the maturity of an organization like CARD. While an initial exchange occurred, more training is needed. Possibly a CARD staff could visit CALVALCO to observe how staff were applying the concepts learned.

Recommendations regarding human resource development include:

- Consultant assignments should be viewed as an opportunity to enhance skills at the field level, with consultants serving as a mentor to the NC. Participation in all externally contracted assignments should be seen as a priority use of his/her time and as a central part of job responsibilities.
- Creating opportunities for the exchange of experiences, both at the country and regional level.
- Improving the capacity of partner staff, it is desirable to continue, and some instances increase, the number of exchanges to other programs.

3.5 Impact Assessment

PLAN is an organization for which it must be understood that credit is only a means to an end, which is the improved well-being of sponsored children. If credit does not achieve that goal, it will not be accepted within the institution as a meaningful program intervention. To demonstrate that the goal of the Credit/MED Initiative has been achieved, PLAN must document participation in microfinance programs improves the wellbeing and economic security of poor children.

Issue: To date, PLAN has collected little information on program impact. The attention of CMTT was placed on getting the pilot country programs launched.

Recommendation: Development of a framework to collect information on program impact is seen as a priority activity to be conducted during the remainder of the Matching Grant, since it will help ensure that credit programming is accepted as a core and valued part of PLAN's program offerings.

3.6 Development of a *Credit Plus* Model

PLAN has chosen to support credit services through methodologies that meet 6 principle standards, rather than develop and enforce a "methodology trademark." It can be recalled from earlier sections that PLAN's program "model" has three main characteristics:

1) a poverty lending approach that emphasizes large scale, real interest rates and sustainability through cost recovery;
2) a focus primarily on poor women; and
3) an education component that maximizes the socioeconomic impact of financial services on women and children.

This section explores the third element of the program model.

Accomplishment: Because of its focus on women and children, PLAN's preferred model is one that integrates health education with credit delivery as opposed to minimalist model which offers only financial services. Freedom from Hunger's *Credit with Education* model is an integrated model that many pilot countries have adopted, and one that CMTT is comfortable with.

Issue: While the *Credit with Education* methodology appears very standardized (allowing for local adaptations), field visits revealed differences in quality of delivery. Specifically, even when the messages were the same, the quality depended on who delivered the message.

Recommendation: PLAN can help to get more from its integrated approach by deciding on the core set of messages it wants in convey as a child-focused institution, and developing a more standardized package of flip charts and staff training materials.

4. Pilot Country Performance in Credit Service Delivery

A long-term ideal would be that high performance programming becomes an integral part of all PLAN programs. The question CMTT struggled with was how to best move toward that result. As the microenterprise Initiative was being designed, it was felt that it was crucial to demonstrate that the PLAN model could be successfully implemented in each of the six PLAN regions. This is why six pilot countries were chosen. By creating a strong program in each region, CMTT would have the opportunity to prove that a general program model could be adapted to meet unique regional needs. Based on pilot success, non-pilot countries in the region could then be encouraged to follow the methodology developed. At the time of this evaluation, credit programming has been established in the six pilot countries. In addition, Tanzania, Togo, Burkina Faso, Senegal, and Bangladesh have introduced high performance credit programming and are considered non-pilot Initiative countries by CMTT. An additional seven non-pilot countries are expected to be identified by the end of the Matching Grant. Expansion will contribute to the institutionalization process because exposure will help create a critical mass of decision-makers who in turn influence others in the organization. The remainder of this section looks more closely at the performance of the three pilot countries supported by Matching Grant funds.

4.1 PLAN/Bolivia

4.1.1 Overview of the Program and its Partners

PLAN/Bolivia is the country office with the longest track record in the implementation of the HPPL approach. It is also worth noting that PLAN/Bolivia has been able to play a leading role in the implementation of microfinance in a country where a growing number of microfinance institutions have proved capable of both reaching large numbers of poor people and of attaining a high level of financial viability. PLAN/Bolivia's experience provides an excellent example of the leadership role that other PLAN country offices might be able to play and offers important lessons on the construction of fruitful partnerships with microfinance institutions which can support its vision of providing financial services to PLAN areas.

PLAN/Bolivia's evolution is characterized by three phases. During the first phase, PLAN/Bolivia provided support to PROA, an NGO in El Alto, and COSAL, a Credit Union in Sucre. Both partnerships involved the development and implementation of pilot programs to provide housing and microcredit for the peri-urban and rural poor. PLAN/Bolivia financed the credit portfolio of both programs, providing approximately $630,000. Both experiences with PROA and COSAL failed for two reasons: the microfinance institution's inability to efficiently carry out their microfinance activities and PLAN/Bolivia's lack of experience as an investor. As a result, both partnerships were terminated, PROA in 1995 and COSAL in 1998. It is important to mention that in both cases PLAN pursued avenues for repayment of the principal lent to these institutions and was able to recover a portion of the money. Although PLAN had to go to great lengths to recover the money, using the judicial system in one case, this set an important precedent for the institution.

During the second phase, PLAN/Bolivia provided over 1.5 million dollars to finance the expansion of credit services to poor clients in rural and peri-urban areas throughout Bolivia. The microfinance activities investment by PLAN/Bolivia at the time were quite innovative as the majority of microfinance activities in the country were concentrated in the urban areas. Through its partnerships, PLAN/Bolivia was able to influence three NGO's: Sartawi, Pro-Mujer, and CRECER to undertake programs that could provide further depth of outreach into the poorest communities of Bolivia. At that time, PLAN/Bolivia's investments represented a high risk, given that the three NGO's had not yet developed a rural lending methodology. Nevertheless, the experience of these three institutions did prove successful. As of this writing, these partners are recognized as leading microfinance institutions in the country. They have achieved real gains in terms of their financial viability[2] and have developed proven methodologies to serve their particular client niches. One of them has even applied to become a formal financial intermediary.

During its third phase, PLAN/Bolivia created and successfully implemented a vision, proving that it was possible to deliver sustainable financial services in rural and peri-urban areas. PLAN's microfinance partners operated credit programs and were able to generate loans and achieve repayments on a consistent basis. This stage brought a new challenge – to make the microfinance effective programs efficient. During this period PLAN/Bolivia made a number of important transitions, which included moving from general and ambiguous partnership agreements to more formal partnership agreements that clearly outlined the responsibilities of each of the partners. In addition, PLAN/Bolivia moved from managing partners based on random exchanges of information, to a management-based framework on a pre-established reporting system and appropriate oversight through interaction with microfinance partners. During this same period PLAN/Bolivia's microfinance program was integrated into the organizational structure. With the assistance of the CMTT, the field office created National Coordinator and Regional Credit positions, established a six-step partnership process for the selection and prioritization of partners, developed more rigorous partnership agreements[3], and instituted a monitoring system to evaluate partner performance.

In addition to its support of partner institutions, PLAN has played an active role in supporting Bolivia's more comprehensive microfinance sector growth. It has collaborated closely with USAID and FUNDAPRO a second-tier lending institution to develop a training curriculum for microfinance staff, it has collaborated with other institutions to develop and fund an international conferences in rural finance, and has supported sectoral research on key microfinance topics.

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[2] Pro-Mujer has achieved full financial self-sufficiency, Sartawi has achieved operational sustainability, and CRECER is very close to the achieving financial self-sufficiency.

[3] An example of the marked improvement of the partnership agreement documents can be viewed in Appendix 4, which provides an example of an old and new partnership agreement.

During the course of Matching Grant support, PLAN/Bolivia has evolved into an organization that serves to foster growth and efficient program implementation with its partners. Systems and procedures have become routinized; staff and management have a mutual understanding of responsibilities and accountability; and new staff has been integrated into the organization. Having made the decision to expand, the institution has initiated two interesting partnerships with Fades and San Roque to continue to push the frontier of microfinance through the development of interesting new financial products like housing products linked to chagas disease and much deeper expansion into the rural areas of Bolivia.

4.1.2 Performance Summary: Bolivia

(As of December 1998)

	CRECER	Pro-Mujer	Sartawi	Fades	San Roque	TOTAL
Number of Clients	6,942	5,654	3,521	N/A	N/A	16,117
Loans Outstanding	$1,150,330	$774,085	$1,493,895	N/A	N/A	$3,418,310
Average Loan Size	$166	$137	$460	N/A	N/A	$219
Savings Mobilized	383,758	505,278	N/A	N/A	N/A	889,036
% Operational Sustainability	91%	183%	108%	N/A	N/A	

4.1.3 Strengths and Weaknesses – Bolivia

STRENGTHS	WEAKNESSES

Bolivia's microfinance environment
➢ PLAN is a visible participant in the broader microfinance environment in Bolivia, and has won a seat at the policy table with tremendous potential to influence microfinance policy in the country.
➢ The program has been able to make small investments that have provided PLAN/Bolivia with much visibility at the local level.
➢ PLAN/Bolivia is at the cutting edge of economic development activities seeking to provide an adequate response to the challenges of rural lending and business development services.
 	
PLAN/Bolivia's capacity in microfinance
➢ The microfinance initiative enjoys significant support, both organizational and financial, from senior country staff.
➢ Successful recruitment of competent Credit/MED Coordinator, who has attended a variety of international training and has increased the effectiveness of the program and promoted more efficiency within the partner institutions.
➢ The three local PLAN promoters interviewed showed a good understanding of the microfinance industry in the country and are supportive of the Credit/MED program.
➢ Interest on the part of area coordinators and promoters to work closely with partner institutions strengthen the possibilities of success of partners.
➢ Commitment to technical excellence is evident in the recruitment of the highest caliber of local consultants. The current MED staff has tried to learn from consultants; currently does a lot of the work on their own; and has the willingness to play a consultive role with other PLAN microfinance programs as it did in Ecuador.
 	
Partners and delivery methods
➢ Selection of various partners has followed a systematized six step process developed by PLAN/Bolivia and CMTT.
➢ Partnership agreements have been strengthened to clearly establish the terms and responsibilities of each partner and have been expanded to multi-year agreements. In addition these agreements have been utilized by other
	PLAN/Bolivia's microfinance strategy
	➢ The Credit/MED program needs to be able to clearly articulate a cohesive strategy that will:
	  ➢ Incorporate each of the partners involved in the project and guide selection of new partners.
	  ➢ Identify methods of ensuring socioeconomic impact in cases where partners do not possess a credit with education methodology.
	➢ The country-level objectives appear to be considerably less than what the microfinance environment has the potential to achieve. A strategy is needed to identify clearly how these objectives will be achieved.
	
	The use of funds for microfinance programs
	➢ The program needs to provide similar loan terms to its partners as those provided by the rest of the microfinance market.
	
	Partners and delivery methods
	➢ Microfinance is not consistently linked with interventions to improve socioeconomic conditions of clients in all programs.
	➢ Co-ordination between PLAN promoters and the promoters of the partners could be improved.*
	➢ The program, in conjunction with the CMTT, needs to continue to invest resources to measure the socioeconomic impact of the microfinance product made available through PLAN. This information will enable the program to garner support within PLAN and to contribute to microfinance best practices.*
	➢ The program needs to improve the measurement tools of PLAN family participation in PLAN/Bolivia's microfinance programs. *
	➢ PLAN needs to work with the CMTT and partners to develop and deliver appropriate financial products for rural agricultural producers in the future. *

sectors having an even larger impact upon the programmatic activities developed by PLAN/Bolivia. ➢ The current partnerships with various institutions fulfill the goal of providing PLAN communities with financial services in a large portion of the country. ➢ Partners expressed satisfaction in working with PLAN, articulating benefits gained and additional interest to continue to work on research dissemination and gain access to technical assistance through CMTT. ➢ The Initiative has allowed substantial investment in training of partner staff. The program has funded the development of a local microfinance training program. ➢ PLAN/Bolivia has a strong oversight over the financial activities of their partners through a well developed monitoring system. This has increased the efficiency and effectiveness of the partners. ➢ PLAN/Bolivia has strengthened the training curricula of its two partners implementing credit with education. **Clients** ➢ The program has redefined the concept of scale ensuring that both PLAN and non-PLAN families receive access to financial services especially in the rural areas of Bolivia. ➢ PLAN/Bolivia has made a good beginning in analysing the issue of PLAN family participation.	**PLAN/Bolivia's capacity in microfinance** ➢ Engaging in partnerships with as many as 6 different institutions could stretch management capacity of PLAN staff. ➢ High rotation of personnel within PLAN and partner institutions. ➢ Not all PLAN promoters are supportive of the Credit/MED program.* ➢ Need to provide more training to Credit/MED team in Bolivia to enable them to support HPPL in the South American region.* ➢ Need to increase, with the help of the CMTT, the knowledge of PLAN/Bolivia in business development services so it can effectively guide the work and provide an appropriate oversight to the activities of its Pro Mujer partner.* * *Areas in which PLAN/Bolivia has already made considerable progress, but where more work needs to be done.*

4.1.4 Future Challenges: Bolivia

Issue: Strategic Planning

At present, PLAN/Bolivia's strategic planning tools focus more on project planning and resource allocation issues and do not meet the planning needs of a microfinance program that deals with a number of partner institutions. The strategic planning tools in place concentrate on describing what the organization intends to do, without devoting sufficient analysis to what they can realistically do in a given context and developing an understanding for how these activities are interconnected. PLAN/Bolivia should seek to maximize its role in rural finance by developing a more coherent strategy that clearly identifies:

- The target group (women, children and foster families) and areas (rural and peri-urban);
- Appropriate methods and instruments to reach the target group and areas. PLAN can further its role in local economic development by developing competencies in other financial products and business development services.
- Partners which enable PLAN to reach its own goals of delivering both financial services and socioeconomic impact to the target groups and areas.

Issue: Movement Toward Market Based Loan Terms

Given the relatively advanced microfinance industry in Bolivia, PLAN/Bolivia has the opportunity to move away from a donor perspective with grants and soft loans, to a more market-based perspective with stricter financial requirements. This will enable PLAN/Bolivia to generate higher returns on its investments in terms of outreach and financially viable partners. PLAN may be best able to promote this change in perspective by first introducing loans at soft terms, moving to more market-based loans later. Eventually, PLAN may want to consider developing a line of credit or revolving loan fund for MFI's. PLAN's increased role as a wholesaler of funds to microfinance institutions will enable the institution to better leverage its capital resources by ensuring that each dollar that it invests in microenterprise finance programs today results in more loans to the poor tomorrow.

Issue: Montoring Impact

PLAN/Bolivia has participated along with other institutions in various longitudinal studies, which seek to measure the impact of its various microfinance activities. Given the range of partners in Bolivia from minimalist to credit with education programs, the country provides an excellent environment in which to conduct further research regarding the impact of microfinance programs. It will be important for PLAN/Bolivia to work in conjunction with the CMTT, to continue to invest resources to measure the socioeconomic impact of the microfinance products made available through PLAN. This information will enable the program to garner support within PLAN and to contribute to microfinance best practices.

Issue: Rural Penetration
Changes in the microfinance community and the financial system in Bolivia have brought microfinance to an unprecedented level of competition. PLAN/Bolivia continues to assess the many needs of their clients, especially PLAN families which live in more isolated rural areas and have not yet been served by the current microfinance programs. PLAN/Bolivia's next challenge is to achieve a wider penetration into the rural areas of Bolivia providing very much needed financial products which respond to the needs of agricultural producers. There are challenges to rural lending in Bolivia, where populations are dispersed, densities are low, and rural infrastructure is costly. New technologies and the design of appropriate financial instruments show promise in lowering the costs of banking with the poor in rural areas. Conversations with FUNDAPRO and other leading institutions clearly defined that the innovations of rural lending products are the next frontier for the Bolivian microfinance industry. PLAN needs to work with the CMTT and partners to continue to face this new challenge of developing rural lending products which are able to cover their costs and ensure in this manner the long-term provision of these services.

Issue: Non-Financial Services
Microenterprise development includes both financial and non-financial services. PLAN/Bolivia's partnership with Pro Mujer to implement a training program has once again creatively positioned this field office to continue its innovation process. This expanded interest of PLAN/Bolivia and Pro Mujer has derived both from success at providing financial services and the belief that finance is not enough. Sometimes getting a loan is only the first step for a microentrepreneur. For many microentrepreneurs to use credit effectively, they need to improve the quality of their product and/or increase their productivity. Business development services are aimed at assisting microentrepreneurs to add value to their products, better manage their cash flow, identify higher-return markets to increase their profitability. It will be important for PLAN/Bolivia to work closely with CMTT in order to secure technical assistance in this area to ensure that the approach promoted includes the best practices which have been already developed in this dynamic and evolving field.

Summary of Recommendations

- PLAN/Bolivia should seek to maximize its role in rural finance by developing a strategic financial plan effectively grounding this process in the reality of what it can and must do to achieve success.
- Given the relatively advanced microfinance industry in Bolivia, PLAN/Bolivia should develop a more market based perspective by extending soft and hard-term loans with stricter financial requirements.
- PLAN/Bolivia should work in conjunction with the CMTT to continue to invest resources to measure the socioeconomic impact of the microfinance products made available through PLAN.
- PLAN/Bolivia's next challenge is to achieve a wider penetration into the rural areas of Bolivia developing financial products that respond to the needs of agricultural producers.

- PLAN/Bolivia should work closely with CMTT to identify technical assistance in business development services.

4.2 PLAN/Mali

4.2.1 Overview of Program and its Partners

PLAN/Mali's first partnership with the Centre d'Appui Nutritionnel et Economique aux Femmes (CANEF), offered an invaluable learning experience on the development of a successful partnership initiative, which is at the center of the Credit/MED strategy. PLAN/Mali's experience demonstrates that the cultivation of linkages with microfinance organization can take a very long time, and that the relationship is a key contributor to the overall success of the Credit/MED strategy. The partnership with CANEF took a year and a half to develop, and an agreement was signed in June 1996.

The results of the PLAN/CANEF partnership are mixed. While the agreement targets were achieved, the partnership between PLAN and CANEF deteriorated to the point that both parties agreed to the termination of the contract. Interviews with the CANEF senior management team in Mali and PLAN Staff in Kangaba suggested that there had been a number of problems with communications between the partners, along with a general lack of understanding of the responsibilities of each of the partners. The previous Credit/MED Coordinator did not have the required technical skills for appropriate oversight. There was an overall breakdown in coordination at the field level within each of the partner institutions, deficiencies in the financial management systems within both institutions, and personality problems which contributed to the break down of the partnership. Despite these problems, CANEF was able to achieve the outreach and portfolio quality indicators included in the partnership agreement.

In a meeting held by the evaluation team and CANEF's Executive Director and Senior Management, the Director of CANEF alluded to the possibility of a renewed partnership with PLAN/Mali and CMTT. CANEF's proposal is for PLAN to reschedule its current $47,696 interest-free loan and to provide additional funding for further expansion. The renewed partnership between CANEF and PLAN/Mali would provide CANEF with the needed financial resources to continue the expansion of its financial operations, which are now delayed due to a shortage of capital. A renewed partnership with PLAN/Mali would help CANEF with linkages to secure additional funding to expand operations and boost its operational self-sufficiency, which was reported to be close 80%. CANEF also expressed interest in continued support and technical assistance by CMTT in order to provide them with a link to international best practices in microfinance and gain access to regional and international consultants. During this short meeting the evaluation team was also able to gauge the advances made by CANEF on their overall management information systems and financial reporting. [4]

[4] CANEF has been able to purchase a portfolio management and an accounting package, both of which are ACCESS- based and allow the institution to fulfill the requirements of CASSMEC for quarterly reports on financial operations.

Despite the setback of the termination of the partnership with CANEF, PLAN/Mali has been able to find a strong partner, Nyesigiso, the second largest microfinance institution in Mali. The institution has not yet worked in partnership with another organization, and is approaching its partnership with PLAN on an experimental basis. Nyesigiso is a mature organization, with a well-developed and tested methodology, and has access to funding from the local financial system and from their clients. Nyesigiso operates through a set of small credit unions or retail outlets that do the front line work, and are linked to a mid-level structure (regional offices) and superstructure (head office) that provides financial, technical, managerial functions, and oversight. The credit unions, which are located close to clients, provide a range of financial services from agricultural to credit with education loans, and supply financial services to those who do not have access to the commercial banking system. Nyesigiso receives technical support from Development International Desjardin (DID) on the overall management of the Credit Union and also has an affiliation to Freedom From Hunger (FFH), which introduced the *Credit with Education* financial product to the credit union.

Nyesigiso has been able to develop a standardized retail outlet or credit union formula which is highly replicable and which it will put in place in Kita and Banamba, two of the four PLAN areas in the country. The 25 credit unions of Nyesigiso's reflect the strong emphasis given to savings services, which probably derived from the need to bring services close to rural clients located in networks of tiny villages. The institution is in the process of developing a financial management system, which will enable them to assess more closely their financial performance, successfully protect and use the institution's capital, and comply with information required by the ministry of finance.

Although the Mali program has not yet been able to demonstrate the effectiveness of the microenterprise partnership strategy promoted by CMTT, it has been able to accomplish its role as a pilot country serving as an example and influencing other PLAN offices in the region, e.g., the West Africa Regional Office (WARO). The CMTT and PLAN/Mali have collaborated to share lessons with the rest of the WARO region through presentations, informal exchanges, and active participation in workshops. As a result, the CMTT and PLAN/Mali have encouraged three other countries in the region to join the Credit/MED Initiative network, e.g., Burkina Faso, Senegal, and Togo. The WARO programs have developed partnerships with five microfinance institutions achieving 25% of the overall partnership targets included in the proposal logical framework.

Accomplishment: The WARO programs have been able to develop partnerships with strong microfinance institutions and operationalize the strategy developed by PLAN/Mali, validating the strategy and its replicability in different countries in the region. The WARO programs have also been able to provide outreach to 7,467 women microentrepreneurs with an outstanding portfolio of $334,740, and a repayment rate of 99%. The strong performance of this region provides assurance that the overall 100,000 client target in the Matching Grant will be met. The WARO region has therefore proven an effective example of the replicability of PLAN's strategy to bring financial services to

PLAN communities by partnering with local MFI's who are able to deliver these services at a lower marginal cost than PLAN could directly.

It is worth noting that the majority of the WARO region programs have selected partnerships with institutions that are implementing or willing to develop a *Credit with Education* approach developed by Freedom from Hunger. As a result of the preference for a credit with education model, PLAN has been able to develop interesting partnerships with credit union's through out the region, which have had experience with this financial product or are willing to include the product into their financial services. Through its partnership with credit unions, some of the PLAN WARO countries have been able to bring a high performance poverty lending product to PLAN communities as well as additional financial services. PLAN/Mali illustrates this added advantage. Through its partnership with Nyesigiso it will be able to bring a credit union to two PLAN communities, which will provide a number of services ranging from savings to agricultural loans. Nevertheless the emphasis of the model pursued in the region has been on credit with education, given the organizations desire to significantly increase impact through an integrated model that targets women entrepreneurs. It will be interesting for PLAN to document the additional impact that its strategy is accomplishing in those PLAN communities receiving added benefits from the existence of credit union, like access to a wider plethora of financial products from which to choose.[5]

4.2.2 Performance Summary: Mali

(As of December 1998)

	CANEF	Nyesigiso
Number of Clients	1,272	N/A
Loans Outstanding	$31,700	N/A
Average Loan Size	$124	N/A
Savings Mobilized	$5,697	N/A
% Operational Sustainability	78%	N/A

[5] PLAN/Mali might also consider exploring the additional benefits that males which will be benefiting from the Nyesigiso cooperative perceive as a result of this project. This research might provide valuable information with regards to the impact of providing financial services to males within PLAN communities, especially if it is able to ascertain a positive relationship between male access to credit and positive impact at the household level.

4.2.3 Strengths and Weaknesses: Mali

Strengths	Weaknesses
<u>OLD (Technical)</u> ➢ Good quality technical work from CANEF. ➢ Some strengthening of CANEF as an institution (leadership, accounting, reporting). ➢ Some socioeconomic impact on women clients. ➢ Network of village banks still operating in Kangaba program area (25 vs. 44 created during the program). **<u>OLD (Management & Administration)</u>** ➢ Senior management commitment to become a Credit/MED pilot. ➢ Sufficient financial resources. **<u>NEW (Technical)</u>** ➢ Established system and criteria for partner selection. ➢ Selection system used to form partnership with Nyesigiso. ➢ Successive recruitment of competent Credit/MED coordinators who bring experience from outside the institution. ➢ Enabling microfinance environment. ➢ Formalization of microfinance activities. ➢ PLAN has some visibility within the wider microfinance community (i.e., Cadre de Concertation, Atelier National). ➢ Positive attitude on the part of CANEF to future possible relations with PLAN. ➢ Positive attitude on the part of the Kangaba PU to future possible relations with CANEF. ➢ Coordination between Kangaba PU and Credit/MED coordinator and determination to use partner selection system. ➢ Defined monitoring and evaluation system for Credit/MED partnerships.	**<u>OLD (Technical)</u>** ➢ Technically weak Credit/MED Coordinator. ➢ Lack of a defined monitoring system and poor program follow-up. ➢ Top down programming approach. ➢ Insufficient training of field staff. ➢ Lack of a learning strategy and little internalization of learning. ➢ Perception of PLAN as a charity organization based on prior programming approach. ➢ Little perception of PLAN possessing any technical expertise in Credit/MED. ➢ Poor analysis and use of technical data. ➢ Poor selection of evaluation consultants, poor management of evaluation. ➢ Poor understanding of partnership as a relationship based on a 'shared vision' and mutual respect. **<u>OLD (Management & Administration)</u>** ➢ Poor communication within country office, between country office and field offices and between PLAN at all levels and partner. ➢ Imprecisely defined lines of authority and responsibility, which hindered communication and led to a lack of accountability. ➢ High rate of turnover among decision makers (CDs, program). ➢ Late disbursement of funds to partner. ➢ Ambiguous written partnership agreement. **<u>NEW (Technical)</u>** ➢ Need to link monitoring framework with Nyesigiso implementation plan to create a dynamic monitoring tool. ➢ Need to define precise socioeconomic indicators.

➢ CEC/CEE program model is more inclusive, seeks to minimize costs and works with existing local MFIs ➢ Strong programming in other domains brings credibility to PLAN/Mali. ➢ More flexible definition of program beneficiaries that allows increased scale and outreach and targeting. ➢ Strong complementary programs that can be integrated with credit and savings. ➢ Conceptual program link between credit and benefits to children. ➢ Commitment to evaluate the impact of credit with education and the additional synergies resulting from integrated programming. ➢ Substantial investment in training personnel at international and local levels. ➢ Identification of a pool of local and regional technical consultants. **NEW (Management & Administration)** ➢ Utilization of strategic planning process that provides continuity to programming. ➢ Use of CSP/CPO to institutionalize a high performance microfinance approach. ➢ Understanding, appreciation and commitment of CMT to high performance poverty lending. ➢ Improved communication among senior staff and between country office and program units. ➢ Improved format for written partnership agreements.	➢ Lack of appreciation of the *learning cycle* and how to internalize learning within PLAN/Mali (e.g., at the CMT, Credit/MED Coordinator and field levels). ➢ Better use of consultants for learning. ➢ Lack of exposure to other regional programs. ➢ No strategy to influence policy. ➢ Steep learning curve for the new Credit/MED Coordinator. ➢ Question as to whether partnership is understood by staff to go beyond compliance. **NEW (Management & Administration)** ➢ Need to demonstrate that high level of communication within PLAN and between PLAN and the partner can be sustained. ➢ Bottlenecks still exist with the disbursement of funds to partners. ➢ Need to improve communications between program and administration.

4.2.4 Future Challenges: Mali

Issue: Coming to Terms with the CANEF Experience

PLAN's Kangaba staff, who had been directly involved in the implementation, provided another perspective with regard to the PLAN/Mali-CANEF partnership. Although PLAN staff still harbored some animosity towards CANEF, they also feel pressure from their communities to initiate another credit program and have not yet identified another microfinance organization to provide these services. At the conclusion of the meeting, the Kangaba program unit manager expressed his desire to continue to extend the provision of microfinance services through out the region and expressed his willingness to work once again with CANEF. One logical way to proceed, outlined by the current MED/Credit Coordinator, would be to perform a needs assessment for financial services in the communities, followed by an inventory of MFIs working in the region. If CANEF emerged as a viable candidate, restarting the partnership could be pursued. A renewed partnership might seem logical and even desirable. However, both PLAN and CANEF would have to come to terms with their previous relationship, acknowledge the weaknesses of their previous partnership, and reaffirm their commitment to make a new relationship work.

Issue: Maintaining a Mutually Beneficial Partnership
Based on past experience, PLAN/Mali seems conscious of the need to work more closely with its new partner to build a relationship based on mutual respect, and to place more emphasis on operationalizing the roles and responsibilities of each partner in the partnership agreement. PLAN/Mali should take the initiative to review the partnership agreement recently established with Nyesigiso, and do so continuously (every three months as specified in the partnership agreement) to ensure that the relationship still serves both partners and each is benefiting from the partnership. Through the agreement review process, PLAN/Mali will be able to maintain the lines of communication with Nyesigiso and have an open discussion of the levels of engagement and expectations of each institution. In addition, it will be important for both partners to agree on the methods and frequency that will be utilized to monitor the relationship.

Issue: Timeliness of Disbursements
Because PLAN funding had not been made available at the specified time, Nyesigiso has had to incur the initial expenses of the partnership program so it could meet the deadlines of the agreement. As a demonstration of commitment, the first credit union supported under the agreement with Nyesigiso is under construction, and the staff for the program is currently undergoing training to start operations. The delay in disbursement by PLAN/Mali was due to a disagreement between the accounting and programming units over the interpretation of the written partnership agreement. It will be important for PLAN/Mali and specifically for the Credit/MED Coordinator to ensure timely disbursements of committed funds.

Issue: New Partners
PLAN/Mali's program has created a vision, implemented the HPPL methodology, and gained experience through this process. The challenge for this country pilot will be to build its partnership with Nyesigiso and develop new partnerships that bring financial services to all four PLAN areas (Nyesigiso only covers two).

Summary of Recommendations

- The experience of PLAN/Mali shows that the partnership agreement can be used to develop a more precise understanding of the roles and responsibilities of each partner. It is recommended that PLAN/Mali regularly review the partnership agreement established with Nyesigiso (every six months to a year) to ensure that the relationship continues to serve both partners and that each is benefiting from the partnership.
- Care must be taken to ensure disbusements to partners are made in a timely fashion.
- PLAN/Mali should continue to build its partnership with Nyesigiso, and develop a strategy for selecting and developing new partnerships that bring financial services to all four PLAN areas (Nyesigiso only covers two).

4.3 PLAN/PHILLIPINES

4.3.1 Overview of Program and its Partners

PLAN/Philippines is emerging as a strong pilot program for the Credit/MED Initiative. At the time of the evaluation, it was quickly approaching 9,000 active clients, making it second only to Bolivia in size. One thing that has helped the program evolve is the high level of support it has received from the senior country management team, e.g., the Country Director and PSM. Credit/MED has become a key part of the PLAN/Philippines country strategy. An example of the support that Credit/MED programming enjoys is the fact that not only has a National Coordinator been hired, but plans are underway to hire an Assistant Coordinator to meet growth plans. Another factor that has helped programming efforts is the existence of a well-developed microfinance sector in the Philippines, which in turn has lead to a supply of high quality, microfinance expertise that can be tapped for consultancies.

PLAN/Philippines has eight program areas through which it delivers services. As a long-term goal, there is a desire to make financial services available to all PLAN families though a partner that serves each area. To begin the process, three partnerships have been developed to cover the following four areas: Bicol Cooperatives Development Center (BCDC) in Bicol; Cagayan Valley Confederation of Cooperatives (CAVALCO) in Isabela and Center for Agriculture and Rural Development (CARD) in Mindoro and Marinduque. All current partners in the Philippines are using a modified version of the Grameen Bank approach, e.g., (a) groupings of five like-minded individuals; (b) local federation of groups into a center; (c) compulsory training of members; (d) weekly center meetings; (e) weekly loan repayment; and (f) compulsory savings.

BCDC was the first partnership agreement, signed in April 1997. BCDC is a well-established second-tier support organization, with interest in developing a microfinance program for women. Since it did not have a history in credit service delivery, PLAN entered into a 12 month "pilot" partnership with the limited objective of developing a poverty lending methodology that would reach 400 women living in 13 PLAN covered baragays. Under the partnership agreement Ps. 2 million of loan capital was provided at

3% interest. (More recent partnership agreements have provided loans at the market rate of 12%).

A final evaluation of the agreement found that BCDC had no systematic reporting and monitoring system. While it came close to attaining outreach targets, the program experienced high drop out rates and delinquency. All of these factors make the reported 78% operational self-sufficiency statistic suspect. The long-term capacity of BCDC to serve PLAN communities in the Bicol is in question, and an alternative partner may be identified.

One of the important lessons PLAN/Philippines learned from this initial experience is the importance of clarity in expectations in an agreement, and the difficulty in ending or redirecting partnerships that are not progressing well. In the near future PLAN/Philippines will provide technical assistance in MIS development and is considering a request to reschedule BCDC's unpaid loan. Since PLAN is currently determining its future relationship with BCDC and the time available for field site visits was very limited, it was agreed that interviews would not be held with BCDC staff.

By far the strongest programming capacity in the PLAN/Philippines portfolio rests with CARD, an organization which has made the transition from an NGO focusing on community capacity building, to an NGO providing financial services and finally to a bank. Through an agreement signed in October 1997, CARD opened a new branch in 2 PLAN program areas, Mindoro and Marinduqe. Under the three-year agreement, PLAN will provide Ps. 5 million in loans for relending and Ps. 515,000 in grant funding. This will enable CARD to serve 1,100 additional clients in each area. CARD was particularly interested in a partnership with PLAN because it wanted loan capital to fund aggressive expansion. CARD has committed itself to the goal of reaching half a million poor women with financial services by 2005. This means adding more than 300 branches, of which the PLAN partnership provides 2. It is noted that outreach statistics for the Philippines are overstated because CARD's reporting system makes it difficult to separate out the PLAN branches from the rest of their activity in their program area. As reporting systems continue to become more refined, more accurate data will be forthcoming. In fact, CARD indicated that it finds the branch level analysis to be a helpful monitoring tool it intends to use throughout the organization. Given its strong track record, CARD is a natural candidate being considered to cover other PLAN areas.

The newest PLAN agreement, signed in July 1998, is with CAVALCO, a regional confederation of cooperatives that has about 75,000 members. While it is another example of a partnership with a less developed organization, it has a very different character than PLAN's relationship with BCDC. Prior to its partnership with PLAN, CAVALCO was experiencing low profitability and sustainability of its individual lending programs, in part due to a weak MIS that made it difficult to track portfolio quality. With PLAN support it established Koopertibank to expand its outreach to the poor using the Grameen Replication methodology. CAVALCO has fully embraced this new loan product, and there is deep support at all levels of the organization for expanding the pilot activity into a much larger effort.

4.3.2 Performance Summary: The Philippines

(As of December 1998)

	BCDC	CAVALCO	CARD Marinduque	CARD Mindoro	TOTAL
Number of Clients	225	235	3,986[6]	2,917[6]	7,393
Loans Outstanding	$31,700	$9,300	$408,800	$224,700	$674,500
Average Loan Size	$124	$137	$103	$77	N/A
Savings Mobilized	$5,697	$1,747	$104,510	$86,521	$198,475
% Operational Sustainability	78.4%	5.7%	101%	67.2%	N/A

4.3.3 Strengths and Weaknesses: The Philippines

STRENGTHS	WEAKNESSES
➢ The microfinance initiative enjoys significant support, both organizational and financial, from senior country staff. ➢ Successful recruitment of competent Credit/MED Coordinator, and plans to recruit a second person. ➢ Interest on the part of area coordinators to identify and mentor partnerships. ➢ PLAN is visible participant in the broader microfinance environment in the Philippines. ➢ Selection of CARD as a partner reflects focus on quality of performance, giving the program credibility within the country. ➢ The partnership with CAVALCO tests the potential of working with an inexperienced organization, who demonstrates commitment.	➢ The Credit/MED Coordinator needs to spend more time in the field with partners. This was particularly evident with CAVALCO who has no experienced staff, and needs immediate exposure to experienced implementers like CARD. ➢ Consultancies should be viewed as an opportunity for PLAN staff to: (1) enhance their own skills through observation/participation and (2) become familiar with the technical details of the partnership, which should improve the ability to monitor effectively. This is seen as a priority use of PLAN staff's time.

[6] The number of clients brought into system as a result of PLAN support is overstated. Future reports will reflect an adjusted figure.

STRENTHS (Cont.)	WEAKNESSES (Cont.)
➢ Both CAVALCO and CARD expressed satisfaction with the partnership with PLAN, articulating benefits gained. ➢ Decision to continue in microfinance programming is independent of future of CMTT – one indicator of sustainability. ➢ Commitment to technical excellence is evident in the recruitment of the highest caliber of local consultants. ➢ The Initiative has allowed substantial investment in training of both PLAN and partner staff. The Boulder training was seen as particularly helpful for PLAN staff. Partners benefited greatly from the Grameen replicant exchanges.	➢ As the eyes and ears of the country office, area MED coordinators can be better developed to enhance their effectiveness. Specifically, their link with the country MED coordinator and other area coordinators should be strengthened to stimulate learning. ➢ Strategy for engaging in partnerships with as many as 6 different institutions could stretch management capacity of PLAN staff. ➢ A more comprehensive view of partner sustainability is recommended, looking at the entire organization and the influence the PLAN supported branch has on the whole.

4.3.4 Future Challenges: The Philippines

Issue: History with Clients
One complicating factor in the CARD program areas has been PLAN's history with the target client group. During the early 1990s, PLAN directly implemented a lending program in Mindoro and Marinduque to assist income generating activities of sponsored families. It gave grants for revolving credit funds to PLAN associations and community lending groups (CLGs) for on-lending to their members. Unfortunately, the credit program failed, most borrowers did not repay their loans, and many became inactive. Some of these clients now resist the rigorous best practices requirements of CARD, and have opted not to participate in the program. This experience showed that it is easier to work in new communities where old habits and expectations do not need to be undone. With this knowledge, resistance can now be expected in older PLAN communities, and is best addressed through an explicit strategy.

Issue: Acceptance of Partners by Plan Staff
One of the biggest challenges faced early in the partnership with CARD was the reluctance of PLAN staff to pass over implementation to a partner, preferring to continue lending programs where they had a larger role. While the strategic decision had been made at the senior management level, it did not initially have the support of field level staff. The resulting complications and energy spent getting relationships back on track show that it is important to make sure field staff support and understand the program.

Issue: Dealing with Inexperienced Partners

CAVALCO's field staff displayed a high level of energy, but the fact that all are inexperienced introduces a high level of risk to the program. As with any high-risk venture, additional oversight and technical support can help ensure the desired outcome. The implied higher cost of more technical assistance and oversight points out the dilemma PLAN/Philippines faces when an experienced partner is not available to serve a given program area, e.g., going with an inexperienced partner with high risk, or deciding not to offer credit services. PLAN/Philippines now has only one partner, CARD, that can be considered mature and institutionally stable. CAVALCO has yet to be tested. At a country level, there is a real advantage in that all the partners are using the same methodology. Cross-fertilization of experience and mentoring is an important role CARD can play in a cost-effective, culturally appropriate manner. CAVALCO staff can certainly benefit from seeing how an experienced staff person performs his/her day-to-day work. CAVALCO's management also needs more attention from the National Coordinator than he has been able to give. Support at this early stage is crucial, as Koopertibank is already beginning to expand its activities.

Issue: Expansion Strategy

PLAN/Philippines is already seeking and/or negotiating with partners for expansion into three new areas. Caution is raised about how quickly new areas can be responsibly opened. As a pilot program, it is far more important that the partnerships formed be of high quality. The absorptive capacity of PLAN/Philippines will largely depend on who the partners are. If they are mature organizations, with an existing track record in high performance poverty lending, then expansion can occur more rapidly. If, however, start-up partners are the only option, the pace must be slower. MIS development, educational message integration, and impact monitoring are all areas where there is an urgent need that has not been fully meant for any partner. The Grameen replication methodology is available and can be contracted out. The other areas just mentioned cannot easily be taken *off the shelf* and require investment by PLAN to develop.

There are two ways PLAN/Philippines can contribute to the Initiative's 100,000 active client target. One strategy is to open new program areas. This seems to be attractive to PLAN/Philippines from the perspective of regional coverage and meets a demand from some Program Unit Managers to offer these services. There is another, possibly stronger, argument for getting the numbers through penetration and outreach in the 4 current program areas (Bicol, Isabela, Mindoro, and Marinduque). This approach requires that the partnerships be done well and produce results. By creating a larger client base within each partner organization, it is more likely that the programming capacity will be institutionalized and valued by the organization. Particularly for start-ups, establishment of this critical mass can be important. Finally, it allows PLAN to gain from its early investments, like MIS and staff training. The approach just described is consistent with a longer-term vision of the partnership than what was sensed during the field visits. It is more of a strategy of working with a partner to establish new branches until a high percent of all PLAN sponsored families have access to financial services in each area. Again, this is different than having a more nominal presence in each program area. Reaching for deep coverage in each area will force PLAN to address many of the more fundamental constraints to economic development, and develop strategies for coping with them. For example, they will need to answer the question of why participation rates of PLAN families is low in a particular area. What makes them different than other PLAN areas? Does the product or delivery mechanism need modified? In general, a more profound experience in a given area will increase the potential of learning. At the end of the day, a balance will probably be struck between expansion through new areas and through deeper outreach. This discussion is offered to encourage thinking about the latter.

Issue: Market Rate Loans:
PLAN/Philippines is the only pilot program who is providing all of its capital for re-lending as loans at market rates. The most recent agreement with CAVALCO provided for disbursements totaling Ps. 1,440,000 at 12% per year. This policy has several advantages: (1) it increases the amount of available loan capital available for new and expanding partnerships; (2) provides a way to ease MFIs into the commercial fund market by providing a track record; and (3) sends the appropriate message about creating a sustainable institution, and avoids distorting the market in mature microfinance environments like Bolivia. The practice of charging market based rates on loan capital provided under PLAN partnership agreements should be continued in the Philippines, and gradually adopted by other Credit/MED pilots.

Summary of Recommendations

- The National Credit/MED Coordinator needs to spend more time in the field with the partners. This is particularly true for CAVALCO who is a start-up program with no experienced staff, and needs immediate exposure to experienced implementors like CARD.
- Consultancies should be viewed as an opportunity for PLAN staff to: (1) enhance their own skills through observation/participation, and (2) become familiar with the technical details of the partnership, which should improve the ability to monitor effectively. This is seen as a priority use of PLAN staff's time.
- As the eyes and ears of the National Credit/MED Coordinator, the program area MED Coordinators can be better developed to enhance their effectiveness. Specifically, their link with the National Coordinators and other area coordinators should be strengthened to stimulate learning.
- A strategy for quickly engaging in partnerships with as many as six different institutions to achieve full geographic coverage could stretch the management capacity of PLAN staff. The focus should be on quality partnerships that are able to achieve significant scale.
- The policy of charging market-based interest rates should be continued in the Philippines and expanded to other pilot countries.

5. NON-PROGRAM ELEMENTS OF MED PROGRAMMING

5.1 Work with National Organizations and Institutional Strengthening

As the entity responsible for raising funds, PLAN's worldwide network of 14 National Organizations (NOs) plays a critical role in the Credit/MED Initiative. Since sponsor donations continue to be the primary source of financial sustainability for PLAN's programs, comprising more than 92% of its revenue, it is crucial that the Credit/MED strategy be acceptable to and understood by sponsors. NOs interviewed during this mid-term evaluation expressed a strong sense of accountability to this traditional base of support.

Many of the NOs have begun to display a growing interest in accessing program grants from large institutional donors. This type of donor, in turn, requires a higher level of program quality than traditional, sponsorship sources. The experience of all of the NOs interviewed is that the institutional donor environment is becoming increasingly competitive. Childreach has experienced a notable measure of success, in that it was recently awarded a grant from USAID's Microenterprise Office for Genesis, a partner in Guatemala, to expand its program. It is obvious that without the technical intervention of CMTT, this would not have happened. All three of the NO Directors who met with the evaluators discussed the needs of their organizations and the importance of the work CMTT is doing to build and maintain technical capacity in programs. One can see how the NOs can help support CMTT's efforts with PLAN country offices. One example cited was when a country program that was not part of Initiative approached the NO for grant resources. In this case, the ideal outcome occurred, in that the NO contacted CMTT and requested guidance. As a result of the consultation, the NO decided not to mobilize funds for a program that did not adhere to best practice principles. The more this event repeats itself, the quicker attitudes about the need for technical competency will be internalized.

Early in the Initiative, CMTT developed a *Strategy for Collaboration with National Offices.* This strategy acknowledged that there is no established and tested methodology for addressing and building institutional support and long-term financial resources in an organization like PLAN. Collaborative efforts need to be individualized to meet each NOs unique needs. With this in mind, the NO strategy focused on four areas:

- Developing and testing strategies for securing long-term financial support for high performance microfinance from new financial markets.
- Developing products appropriate for sponsors to increase awareness and support for poverty lending schemes;
- Increasing awareness and knowledge of National Office staff and contributors of the goals and benefits of microfinance programs; and
- Ensuring adequate funds to establish and expand programs in pilot areas and other countries committed to high performance microfinance.

A significant component of the NO Strategy was the identification of the Australian National Office (ANO) as a pilot site for testing strategies and products for new financial markets. The strategy was not unlike the way the country offices were approached, e.g., work through a pilot site to demonstrate impact. Several days of discussions with staff and the board chairman revealed a high level of commitment within the ANO to microfinance. This focused attention has required a significant investment of CMTT's time, but the results have been impressive. For example, the ANO now features microfinance as the centerpiece of its grants marketing strategy. Staff were strong in their belief that the Credit/MED Initiative has provided a working model for technical strengthening, and that it will improve its chances for AusAID support in the near future. The ANO has been innovative in using the technical accomplishments of the Initiative to reach new resource markets. A good example is the identification of key business and government leaders who serve as *microfinance ambassadors*. They use their direct exposure to field programs to tap into a different fund raising base than the traditional sponsorship market. The focused attention to microfinance programming seems to have increased the ANO's interest in accountability for this high profile effort. While the ANO has received special attention as a pilot, important blocks of CMTT's time have also been spent with NOs from the Netherlands, Canada, US, UK and Japan.

The NO strategy being pursued by CMTT is found to be clear in its objectives, and is yielding the desired results on a pilot basis. The challenge will be finding the time to develop an equally tailored approach for remaining NOs. The current inclination to take advantage of windows of opportunity as the present themselves is probably the most effective approach at this point.

5.2 Organizational Structure and CMTT Functions

Under the Matching Grant, CMTT staff are filling headquarters positions located in Arlington, VA. It is uncertain that this arrangement will continue once grant support mobilized by Childreach (PLAN US) ends. As PLAN makes its staffing decisions regarding Credit/MED, it is important to carefully consider the functions that are to be served. This focus will help determine how many staff are needed, what skills are needed, and where they should be located. An important service IH must provide to its country offices is access to on-going technical assistance for the National Coordinators. One reason why the Credit/MED has been successful is that it was able to demonstrate that PLAN had a viable strategy for providing financial services to families in PLAN area. During the pilot phase, country staff received a fairly intensive amount of technical support to launch this technical program. The results of this investment have, in turn, given the Initiative its credibility.

Where should future support for this technical assistance reside? PLAN today is a decentralized organization, with biases against IH technical assistance, which has traditionally been seen as ineffective. CMTT appears to have succeeded in this environment by offering high quality, valued services. The reality is that IH is unlikely to grow the staff in Woking or Arlington to a size that can effectively meet the demand of country programs, especially as the number of countries served grows. There is logic in placing the on-site technical assistance and training functions of CMTT closer to the country sites, i.e., a regional position. Given the biases against regional advisors, it is recommended that this transition is started slowly, and where there is a critical mass of program activity to make it cost-effective. To improve cost-effectiveness while the base grows, an advisor could initially cover two regions, like East and West Africa. At the present, the West Africa Region (WARO) seems a logical candidate to pilot this experiment. An important part of the regional advisor position would be to assist in: (1) creating and developing a market for new Credit/MED countries; (2) helping NC's in existing country programs form new partnerships; (3) fostering regional learning through exchange forums; and (4) working with the CMTT to define the framework for impact evaluation and applying it in the field. This position would be where much of the higher-level technical expertise of PLAN resides. The NC's can eventually provide a strong recruitment pool for this position, which will require some time.

The CMTT plays crucial, strategic roles that are best continued at the IH level. Perhaps most importantly, it serves as PLAN's policy voice in Credit/MED programming. It is important that PLAN remain connected to the international, microfinance movement so that it remains current with developments in this rapidly changing sector. There are many tasks, like MIS development, that have significant cost efficiencies by developing it once and sharing. As was acknowledged earlier in this evaluation, *Credit Lines*, PLAN's technical Credit/MED bulletin, has had a tremendous impact in improving and institutionalizing PLAN's technical capacity. IH is also the appropriate place to develop technical training materials for use in the field. As the network of NC's grows, the planning and management of the annual NC meeting will require an increasing amount of attention. As this list indicates, the CMTT functions that need to be continued far transcend the traditional coordinator role that PLAN has used in IH. Whatever staffing pattern is decided, it must be able to continue all of these crucial functions for the quality and effectiveness of the Credit/MED Initiative to be sustained.

Recommendations in the area of improving the outreach of CMTT functions include:

- The remainder Matching Grant period should be used to pilot test of a new structure for providing technical assistance. There is logic in placing the on-site technical assistance and training functions of CMTT closer to the country sites, i.e., through a regional position. To demonstrate relevance to country programs, it is recommended that this transition be started slowly, where there is a critical mass of program activity to make it cost-effective. At the present, the West Africa Region (WARO) seems a logical candidate to pilot this experiment, since it could build on the extensive regional collaboration that is already underway. Another way in which this position can remain relevant is to link the advisor to very specific duties. During the remainder of the Matching Grant the CMTT and Director of Program can be working with other regional directors to best determine whether the above or some other approach will work to provide technical assistance support in their region.
- IH needs to develop a plan for maintaining the more strategic functions of CMTT, which transcend the coordinator role that PLAN has traditionally used. These include

such activities as coordination with the NOs, policy development, production of a technical newsletter, and international representation.

6. SUSTAINABILITY OF MICROENTERPRISE DEVELOPMENT PROGRAMMING CAPACITY

Based on the success of the Learning Grant experience, USAID and PLAN International have made a significant investment in building MED programming capacity. Ultimately, this investment can be justified only to the extent that results can be sustained. There are three distinct levels at which the Credit/MED Initiative must be sustained: (1) microfinance partners in the field; (2) PLAN's country offices; and (3) the broader institutional level, which includes international headquarters, regional offices, and National Organizations.

The following sections look at each of these levels, analyzing what is to be sustained, the indicators to measure progress, and the prospects for post-grant sustainability. It will be seen that as one moves from the partner to the broader institutional level the focus increasingly shifts from financial to institutional sustainability issues.

6.1 Sustainability at the Partner Level

The foundation of PLAN's Credit/MED strategy is the establishment of a network of local partners who are able to deliver financial services to PLAN sponsored communities on a sustainable basis. Support is provided through an agreement centered on the partner opening a new branch in a PLAN program area. One of the principle requirements of the partnership agreement is that the branches have a plan to achieve operational[7] and financial[8] self-sufficiency within a reasonable time. The partnership agreement contains specific annual sustainability targets that are monitored through monthly reports provided to the National Coordinator. At the time of the mid-term evaluation, three of the 21 PLAN supported branches had achieved operational self-sufficiency.[9] Given its current portfolio, PLAN should easily meet its EOP target of ten operationally sustainable branches.

PLAN's decision to focus on branch sustainability reflects its interest in determining the capacity of the partner to continue providing services to PLAN communities after PLAN support ends. The "PLAN branch" is the operational unit that receives direct support, and

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[7] Operating Self-Sufficiency is defined as Financial Income divided by (Financial Costs + Operating Costs + Loan Loss Reserve). This ratio indicates whether enough revenue has been earned to cover the organization's costs.

[8] Financial Self-Sufficiency is defined as Financial Income divided by (Financial Costs + Operating Costs + Loan Loss Reserve + Imputed Cost of Capital). This ratio indicates the degree to which an organization is earning enough revenue to cover all its operating, financial and loan loss expenses while maintaining the value of its equity and quasi-equity relative to inflation.

[9] The self-sufficiency ratios presented in this report were provided by the partners, and the evaluators did not verify source data. The Matching Grant target reads number of operationally sustained partners, which is actually implemented as the number of sustainable branch operations.

all partners are held accountable for its performance. Thus, the sustainability indicators reported to CMTT and provided in this evaluation refer to the branch, not the entire operation of the local partner. It is true that sustainability of an MFI begins with sound operation at the service delivery level. However, the sustainability of the entire credit operation can also influence the prospects for continued service delivery. PLAN is not incorrect in its attention to sustainability monitoring at the branch level, but is encouraged to be more comprehensive in its view of partner sustainability. Specifically, this means that the opening of a new branch needs to be considered within the context of a full business plan, including the impact it will have on the partner's sustainability. For mature partners, this could be as simple as making reference to where PLAN fits into overall expansion projections. For programs in the earlier stages of development, it is less likely that such a strategic document exists. Planning, however, is nonetheless relevant for them. The smaller the partner, the greater the impact a new branch will have on its sustainability. It is useful for these organizations to place proposed expansion in the context of their longer-term sustainability strategy. By encouraging organizations to report their composite sustainability ratios, perhaps on an annual basis, PLAN can better judge the maturity of its partner network.

To summarize, it is appropriate for PLAN to continue to use branch sustainability ratios as the primary indicator of its partner's sustainability performance, e.g., the targets appearing in the partnership agreements. However, PLAN is encouraged to take a broader view of sustainability, acknowledging the broader context in which PLAN branch operations occur. By providing technical assistance in sustainability planning for the entire partner program, PLAN can add value to the partner organization that goes far beyond its individual branch investment. Sustainability planning is a core competency that PLAN is well advised to invest in developing.

6.2 Sustainability at the Country Office Level

At the country office level, the sustainability focus begins to shift from service delivery indicators, like partner self-sufficiency ratios, to more elusive structural indicators. In order for Credit/MED to be institutionalized within PLAN, it must first be demonstrated that the model can work. PLAN has laid out seven minimum criteria for measuring sustainability at the country level, e.g., program commitment, a national strategy, staff dedicated and trained, a team supporting the program, established partnerships, established indicators for sustainability, and operational monitoring systems. This section looks more closely at several of these indicators, to determine the degree to which Credit/MED programming capacity is being sustained by the countries participating in the Initiative.

The most direct indicator of sustainability at the country office level is the existence of a functioning Credit/MED committee led by a National Coordinator. The NC is the key person for implementing the Credit/MED program. Specific responsibilities include identifying partners, negotiating partnership agreements, and monitoring performance. One would look for evidence that this position is a permanent part of the staffing pattern, and that it is filled by a qualified individual. The NC is supported by program unit coordinators. As an indicator of sustainability, one would want to determine the extent to which each partner has a functioning area coordinator and the level of support that individual receives from the country office.

Another important indicator of the sustainability of the Credit/MED Initiative is the active support of the PLAN Country Director and the Program Support Manager (PSM). A verifiable indicator of this support is the incorporation of credit activities into the country strategic plan (CSP). Country offices have a great deal of latitude in selecting programs that they feel meet family needs within a given program area. As the document that articulates and then directs the program content within a country, inclusion of Credit/MED in the CSP has high strategic value in that it is used to determine the level of financial support.

To become more systematic in its assessment of institutional acceptance of the Credit/MED Initiative, CMTT could develop a simple checklist of each of the seven indicators that could be used to define and measure the more qualitative terms like 'existence of functioning NC' or 'staff dedicated and trained'. Examples of indicators for a functioning NC might be a rating of: (1) technical skills; (2) quality and timeliness of reports; or (3) quantity and quality of partner performance as measured by agreement targets. The above recommendation is offered to stimulate thinking about how CMTT can encourage institutionalization of Credit/MED by providing performance standards to country programs. A brief assessment tool or sustainability index that is built around the seven minimum indicators could form a firm base for monitoring progress during a pilot's early stages.

Based on the above criteria, all of the pilot sites visited during this assessment were making progress toward institutionalizing the Credit/MED Initiative. Most importantly, NC positions were functioning as an integral and permanent part of the staffing structure. In fact, the Philippines has decided to add an Assistant National Coordinator position. Credit/MED appeared in the Country Strategic Plan, and had become a valued component of the program. Partnerships were being established and monitored on the basis of progress toward operationally self-sufficiency. The framework for country level sustainability is certainly there, and each pilot is now involved in refining and expanding implementation. This is not to imply that problems will not continue to arise. The sustainability challenge at this level is that the partnerships formed be of high quality. This is deemed to be more important than the quantity of partnerships.

6.3 Sustainability within the Broader Organization

As part of its first annual report submitted in September 1997, PLAN presented a strategy for sustaining the Credit/MED Initiative. The strategy identifies key sustainability issues (building capacity within pilot sites, demonstrating program impact, institutional learning, institutional policies, extending capacity beyond the pilot sites, technical backstopping, financial support for programs, integration into national organization activities) and enumerates six steps toward sustainability. This section of the evaluation looks at PLAN's overall sustainability strategy, assesses its relevance, and highlights the remaining issues and challenges. The following discussion uses PLAN's six steps to sustainability framework to present its analysis, and to give a sense of where PLAN is today on the road toward sustainability.

Step 1: Establish a framework and the capacity to implement high performance microfinance programs in each of the six pilot countries

As the preceding section on country level sustainability noted, PLAN has made considerable progress in establishing its pilot sites.

Step 2: Demonstrating socioeconomic impact on children

PLAN has a very clear mandate to improve the lives of children. For any program strategy to be incorporated into long-term operations, it must demonstrate that it can directly or indirectly accomplish this. Given the need to first get the model operating, impact is an area where little work has been to date. As discussed in the earlier section on impact analysis, one should expect to see progress in this area by the time of the final evaluation.

Step 3: Institutional learning and constituency building

CMTT considers the sharing of information (particularly new technology, experiences within the organization, and lessons learned) to be important to building constituency support. Examples of efforts in this regard include publication of *Credit Lines* and sponsoring of workshops and training opportunities. The upcoming research activity on partnerships will be another opportunity to further the learning agenda. In general, the evaluators find that CMTT is highly aware of this element of sustainability, and gives it appropriate consideration in balancing the effort devoted to it.

Step 4: Promoting policies and organizational philosophy that sustains high performance programs

Institutional policies can either be an incentive or disincentive for supporting high performance microfinance programs. The Credit/MED Initiative has been successful in moving the dialogue forward in the form of acceptance of acceptance of a Credit/MED policy and inclusion of Credit/MED as a part of the *Livelihood Domain*. The next challenge in the policy area will likely be the issue of PLAN's commitment to strong technical support and backstopping. While it is acknowledged in the strategy paper, it was not addressed. What is the mechanism to ensure that technical support will be sustained after the end of the grant period? This item is so crucial to the sustainability of the Initiative, that development of a strategy must be considered a priority for PLAN during the remainder of the grant. What would one expect to see as evidence that technical support capacity is being sustained? One could look at the continuation of the Credit/MED Coordinator position(s) at the international and/or regional levels. However, the simple counting of positions is not enough - one must also look at the results they produce. A complete sustainability strategy for the provision of technical assistance would need to fully address the issues of organizational structure/location of positions (direct hire vs. contract), number of positions, functions the positions would fill, and full budgets of costs along with the source of financial support.

Step 5: *Collaboration with National Organization activities*

As the bodies that raise funds for the country program operations, a complete sustainability strategy must address this important constituency. CMTT has fully developed this in a parallel *Strategy for Collaboration with National Offices*, September 30, 1997.

Step 6: *Establish a mechanism to ensure long-term financial resources for future program activity*

CMTT has approached the sustainability of funding for credit programs by: (1) actively seeking to influence its acceptance through sponsorship education; (2) helping make programs more attractive to institutional donors through improved technical performance; and (3) supporting the development of non-traditional sources, like the ANO's *microfinance ambassadors* and a loan capital fund.

PLAN's *Strategy for Sustainability*, which has been CMTT's point of reference, covers a broad range of issues – all of which are indeed relevant. Is there one summary statistic that can be monitored to judge the extent to which PLAN has institutionalized the Credit/MED Initiative? Perhaps at the broadest level, the number of sponsored families served by PLAN initiated branches is the final test of the success of the Initiative. If a reliable monitoring system shows that this number continues to grow, and partner sustainability continues to improve, one can conclude that a way has been found to provide PLAN's target group financial services in a sustainable manner. Using this simple definition, the Credit/MED Initiative has then been sustained.

The following is a summary of the recommendations emerging from the discussion on sustainability:

- PLAN should continue to use branch sustainability as the primary indicator of its partner's sustainability performance, e.g., the targets appearing in the partnership agreements. However, PLAN is also encouraged to consider the broader context in which PLAN branch operations occur by monitoring the self-sufficiency of the partner's entire credit operation.

- Technical assistance in developing a sustainability plan for the entire program, is seen as an opportunity for PLAN to add value to the partner organization that goes far beyond its individual investment in a branch.

- As an indicator of country level sustainability, CMTT could consider developing a simple tool to define and measure more qualitative terms like "functioning NC and staff dedicated and trained specifically for Credit/MED programs" and "a team supporting the program".

- Develop a mechanism to ensure that technical support will be sustained after the end of the grant period. Given its importance to the sustainability of the Initiative, development of a strategy to implement this recommendation should be a priority for PLAN during the remainder of the Matching Grant. A complete sustainability strategy for the provision of technical assistance would need to fully address the issues of organizational structure/location of positions (direct hire vs. contract), number of positions, functions the positions would fill, and full budgets of costs along with the sources of financial support.

- Continue to collaborate with NOs to secure long-term financial support for programs. This should include expanding the successful marketing efforts of ANO to other organizations, exploring options for building a *capital fund* and further developing the capacity of NO staff to secure technical grants from donors.

Appendix 1

U.S. Agency for International Development/PLAN International

Matching Grant for Institutional Strengthening of Credit for Microenterprise Programming

MID-TERM EVALUATION SCOPE OF WORK

I. PROGRAM IDENTIFICATION

- Name of PVO: PLAN International/Childreach
- Contract Number: FAO-A-00-96-00047 (new number)
- Grant period: September 1, 1996 – August 31, 2001
- Country Programs: Bolivia, Guatemala, Kenya, Mali, Nepal, Philippines

II. PROGRAM BACKGROUND

Include a short statement on:

- The history of PLAN's Credit/MED Initiative. This should include the context in which the Initiative began (previous experience with two microenterprise matching grants, attitudes in PLAN toward centrally placed program technical advisors and PLAN's "New Directions" effort to define organization-wide program objectives, policies and definitions). This section should also present the USAID-supported "Learning Grant" from 1994-1996 that was the precursor of the present matching grant.
- Current implementation status
- PLAN's partners. This should include formal microfinance partners within the pilot programs, other organizations and networks that PLAN associates with at the country program level and organizations with which the Credit/MED Technical Team (CMTT) has established working relationships at the central level.
- Program goal, purpose, objectives and outputs and the indicators to measure them as presented in the program's Logical Framework.
- The availability of data from annual reports, the program monitoring and evaluation system and program files at the CMTT and in the pilot countries.

III. PURPOSE OF THE EVALUATION

This evaluation responds to the following issues:

- The need for an objective, outside assessment of the Credit/MED Initiative's accomplishments and challenges;

- A forum for PLAN staff at all levels to analyze the strengths and weaknesses of the Initiative;
- An analysis of how well the Initiative fits into PLAN's mission and strategic objectives;
- Identification of the key challenges PLAN faces to insure the success of the Initiative and recommendations for meeting those challenges;
- Recommendations for any modifications in program design, measurement indicators or budget.

This mid-term evaluation fulfills the requirements of the USAID/BHR/PCV Matching Grant Program. PVC will use this information in its annual Results Report and in the review of any follow-on proposals from PLAN.

PLAN's audience includes the CMTT, individual pilot programs and their partners, the Program Management Team (PMT), PLAN's National Offices and PLAN's program department. Information from this report will be used to improve the performance of the Credit/MED Initiative and to help other program strengthening initiatives within PLAN.

IV. EVALUATION STATEMENT OF WORK

The evaluation team will assess the program and institutional elements found below, providing evidence, criteria for judgement and citing data sources. Places to be visited will include:

- The CMTT office in Arlington, Virginia
- PLAN's International Headquarters in Woking, UK
- The offices of Childreach in Warwick, Rhode Island
- Country pilot programs in Bolivia, Mali and the Philippines
- PLAN's Australian National Office in Melbourne, Australia

A. Program Implementation

1. Assess progress towards each major objective
   - Based on the logical framework from the program proposal, has there been progress towards meeting program objectives?
   - Identify constraints and unanticipated effects and steps taken to rectify
   - Identify major successes and why these elements were successful
   - Assess effectiveness of models, approaches or assumptions that underlie the program

2. Assess progress towards sustainability. Within the context of the Credit/MED Initiative, sustainability must occur at several levels: at the level of PLAN's microfinance partners in the field; at the level of country programs and at the wider institutional level, including throughout international headquarters, regional offices and national offices. Accordingly:

- Define the program elements that should be sustained? What are the sustainability objectives? What are the indicators used to measure progress? What are the achievements to date? And what are the prospects for post-grant sustainability?
- Describe the existence and status of cost-recovery mechanisms at the various levels? What is the extent of financing or approaches to generate resources to support program operations?

3. Assess the status of strategic partnerships in the field with local level microfinance institutions (MFIs) and microfinance networks. Do the same at the international level with development organizations and networks that are focused on microfinance.

- Characterize "partnerships" with local level partners
  - Process of selecting partners
  - Feasibility studies and program design
  - Partnership written agreements
  - Roles and responsibilities, decision-making process
  - Fiscal autonomy and amount of funding (grants and loans) directly managed
- How does the program assess the quality and scope of partner relations?
  - Relevance and usefulness of local monitoring systems (level of partner and PLAN country programs)
  - Quality of reporting
  - Impact of the partnership on the program
- What change in capacity of local level partners was planned? What level was achieved?
  - Effects of training or resource transfer on local partner's capacity
- Assess the local level partner's satisfaction with the partnership
  - Has the interface and communications between the partner and PLAN been effective?
- How effective has the program been in developing an approach and methodology for microfinance partnerships that can be used throughout PLAN?
- Assess the appropriateness and utility of less structured partnerships at the international level with such organizations as SEEP, the Credit with Education Learning Exchange and the Institute for Development Research (IDR).

4. Cite the major implementation lessons learned and recommendations

B. Program Management

1. Assess change to the organization's management capacity (structure and quality of management) as a result of the matching grant.

49

- Strategic Approach and Program Planning
  What changes have occurred in the organizations capacity for critical and analytic thinking regarding program design and impact. Have there been any identifiable changes in the approach to delivery of credit programs in PLAN? Has the program design raised implications for the delivery of other programs within PLAN (e.g. sponsorship, livelihood activities, fundraising)? What are the implications and how have they been handled. Evidence that the program has:
  - Fostered analysis and self-evaluation in country programs and/or conducted quantitative or qualitative analysis to refine interventions;
  - Conducted periodic reviews of performance data by project personnel and taken actions as a result of such reviews.

Are there changes in headquarters capacity to: (i) manage the planning process – program renewal, strategy integration, project design: (ii) address overarching program issues of replicability, scale-up, sustainability; (iii) forecasting and strategic planning; and (iv) organizational development, financial planning and development?

- Monitoring and Evaluation
  Assess the capacity of the organization to monitor program performance and measure impact. Give evidence of:
  - Appropriate, intervention-specific capacity building and sustainability objectives and indicators;
  - Knowledge of and use of impact and performance measurement techniques;
  - Systems (e.g. MIS) to consolidate, analyze and interpret program data;
  - Transfer of skills to local partners.

- Financial Management
  - Are adequate financial monitoring systems in place to verify program revenue, operating and financial expense and other inputs and outputs?
  - Has the program leveraged additional resources (beyond the match)? Please give examples of resources that could contribute to post-grant sustainability.
  - What is the cost-effectiveness of the program?

- Information
  Comment on the utility and timeliness of PLAN's required reports.

- Logistics
  Comment on the adequacy and timeliness of PLAN's financial and other material support to its partners.

- Supervision
  Assess if there are sufficient staff with the appropriate technical and management skills to oversee program activity at both headquarters and in the field programs.

- HRD
  Did PLAN assess staff training needs and strengthen both itself and local partner professional or technical capacity?

2. Cite the major lessons learned and management recommendations.

V. EVALUATION METHODS

A. Approach

PLAN's Credit/MED Initiative was developed and funded prior to USAID's emphasis on results-oriented program designs and the development of PVC's Strategic Plan. The data from all PVC funded programs is critical to PVC's ability to report on achievements against the Office's Strategic Plan. Until all current PVC-funded programs have made the transition to a more results-oriented project plan format, it will be necessary for the evaluation team leader, in conjunction with the USAID project officer, to conduct a *team planning meeting* with PLAN and its partners to:

- Review purpose-level objectives and outputs. In the event they do not meet results-oriented criteria, transform them into results-oriented objectives;
- Agree upon a set of appropriate indicators against which the evaluation will assess the achievement of program results outlined in the statement of work and will be judged.

B. Methodology

The evaluation team leader will:

- Make the final determination of the appropriateness of the data collection approaches to be used;
- Use USAID's microenterprise indicators to assess the status of the microenterprise interventions;
- Document data sources;
- Provide a copy (electronic or paper) of all primary data collected and analysis performed
- One coordinator from the Australia National Office

VI. TEAM COMPOSITION AND PARTICIPATION

A. Composition

- One outside evaluator to serve as team leader
- A second outside evaluator
- Two representative from PLAN headquarters, one each from the Program and Audit Departments.
- Two members of PLAN's CMTT
- Three PLAN credit/MED coordinators from the pilot countries

B. Language requirements

- Evaluators working in Bolivia and Mali should have Spanish and French language ability

C. Technical expertise

- Knowledge and experience in the field of institutional change
- Knowledge and experience in microfinance
- Knowledge and experience working with international non-profit organizations

VII. SCHEDULE

The evaluation will be conducted between May 27 – August 6, 1999. Estimated timeframes for different tasks are as follows:

- Time needed at the CMTT, International Headquarters and Childreach Office
  1 – 2 weeks (including travel)

- Time needed in the field
  One and a half weeks in each pilot program country (including travel), five days at the Australian National Office (including travel to Melbourne and Sydney)

- Report writing
  Four weeks

VIII. REPORTING AND DISSEMINATION REQUIREMENTS

The statement of work will serve as the outline for the evaluation report

- Delivery schedule
  The draft of the evaluation report will be submitted to PLAN's CMTT staff for review by July 19, 1999

  The final report will be submitted to USAID and PLAN by August 5, 1999

- <u>Review/revision policy</u>
  PLAN will have two weeks to review and comment on the draft evaluation report. Comments will be submitted to the evaluators by August 2, 1999.

  A USAID/PLAN debriefing to discuss the final report will be held on August 6, 1999.

APPENDIX 2
KEY INFORMANT INTERVIEWS

PLAN INTERNATIONAL HEADQUARTERS

Martin McCann	Program Director
John Schiller *	Credit/MED Coordinator
Delores McLaughlin *	Credit/MED Program Liaison
Amer Jabry *	Senior Researcher
Simon Early *	Program Auditor

* Participated as PLAN members of the evaluation team

PLAN INTERNATIONAL AUSTRALIA

Tricia Caswell	National Executive Director
Wendy McCarthy	Chairman of ANO Board & International Board Member
Robyn Whitney	Grants Manager

PLAN INTERNATIONAL UNITED KINGDOM

Anna Wardman	National Executive Director
Enzo Martinelli	Programme Funding Manager

CHILDREACH (PLAN USA)

Samuel Worthington	National Executive Director
Donald Cohen	Managing Director for International Development

PLAN INTERNATIONAL BOLIVIA

Edward Espey	Country Director
Dan Stonner	Program Support Manager
Vivianne Romero	National Credit/MED Coordinator
Patricia Arancibia	Altiplano Credit/MED Coordinator

PLAN/BOLIVIA PARTNER INSTITUTIONS

Mr. Jorge Tipisman	Sartawi
Ms. Irene Sievers	Fundación Sartawi
Mr. Hugo Bellot	Pro-Mujer
Mr. Alfonso Torrico	CRECER
Miguel Hoyos	FUNDAPRO

PLAN INTERNATIONAL MALI

Rezene Tesfamariam	Country Director
Felipe Sanchez	Burkina Faso Country Director, WARO Team Leader for Microfinance
Eric Mamboue	Burkina Faso, Livelihood Coordinator
Nene Thiam	National Credit/MED Coordinator and Sponsorship & Grants Manager (in training)
Nana Toure	Assistant National Credit/MED Coordinator
Ibrahim Toure	CPME
Mme. Stefanka	FGM Program Manager
Sounkalo Coulibali	Program Unit Manager (Kangaba)
Fode Traore	Livelihood Coordinator
Ms. Djelika	Learning Coordinator
Ms. Bochum	Assistant Program Manager STD/AIDS
Oumar Diakite	USAID/Mali
Bakary Traore	Executive Director, CANEF
Ms. Oumo Sidibe	General Manager, Nyesigiso
Van Hoorebek	
Mr. Modibo	Regional Director, Segou, Nyesigiso
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APPENDIX 4

Six Steps to Building Partnerships for Microfinance Services[10]

The following summarizes the 6 step process CMTT recommends to its country programs. This framework is intended to provide a structure for choosing partners, negotiating and establishing agreements and making sure the agreed upon goals are met.

Step 1. Survey and assess potential partners

Conduct a survey of financial service institutions. A few organizations will stand out by virtue of their reputations or other factors. A formal assessment of the short list should be done to analyze the organizations' capacity, performance, experience with target groups, compatibility with PLAN's vision and potential for sustainability.

Step 2. Conduct feasibility studies

The feasibility study is prepared by an external consultant who has financial analysis expertise and involves an analysis of the financial projections and an assessment of the capacity of the organization to realize the goals. One purpose of the study is to identify opportunities. Where capacity is lacking, it should be seen as an opportunity for growth. If done properly, the study will provide both parties with sufficient information to determine if they want to move forward with the partnership.

Step 3. Prepare a business Plan

Once a decision is made to move forward, a business plan is prepared by the partner NGO which provides a full explanation of what action the organization will take to provide and sustain the agreed on services. The plan usually includes a self-diagnostic of capabilities and systems as well as intentions for removing barriers. It should also address any assumptions or factors that might influence the outcome.

Step 4. Develop a written agreement

The formal agreement should be developed jointly between the NGO and PLAN. The formal agreement should clearly state the common vision, the agreed upon goals, and the terms and responsibilities for both parties. The agreement also identifies performance targets and a disbursement schedule.

[10] This appendix summarizes information presented in *Credit Lines,* April 1997.

Step 5. Set reporting standards and formats

Required reporting formats and standards are included in the agreement. Four types of information are considered essential:

- Data on portfolio management and financial services;
- Data on operational/financial sustainability;
- Information on progress toward institutional development; and
- Information on client services such as training and socioeconomic impact.

Step 6. Build in monitoring and learning tools

The agreement describes specifically how monitoring and evaluation will be conducted. It should specify what information will be collected, by whom, when, in what format it will be reported and how it will be analyzed and used. A representative from the partner and PLAN should maintain regular contact and review progress quarterly. An evaluation should be conducted after 18 months of operation to assess progress in reaching the goals, document lessons learned, and identify any needed adjustments.