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FIDA
Invertir en la población rural

Reino de Lesotho

Programa de Intermediación Financiera Rural

Evaluación de los resultados del proyecto

Nota para los miembros del Comité de Evaluación

Funcionarios de contacto:

Preguntas técnicas:

Oscar A. Garcia
Director
Oficina de Evaluación Independiente del FIDA
Tel.: (+39) 06 5459 2274
Correo electrónico: o.garcia@ifad.org

Catrina Perch
Especialista en Evaluación
Tel.: (+39) 06 5459 2243
Correo electrónico: c.perch@ifad.org

Envío de documentación:

Alessandra Zusi Bergés
Oficial Superior de los Órganos Rectores
Unidad de los Órganos Rectores
Tel.: (+39) 06 5459 2092
Correo electrónico: gb@ifad.org

Comité de Evaluación — 100.º período de sesiones
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Para examen

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Acrónimos y siglas

CARE	Cooperativa de Asistencia y Auxilio a Cualquier Parta del Mundo
CRS	Catholic Relief Services
ONG	organización no gubernamental
ONGI	organización no gubernamental internacional

Mapa de la zona del programa

Reino de Lesotho

Programa de Intermediación Financiera Rural

(el programa tenía alcance nacional)

IFAD

Las denominaciones empleadas y la forma en que aparecen presentados los datos en este mapa no suponen juicio alguno del FIDA respecto de la demarcación de las fronteras o límites que figuran en él ni acerca de las autoridades competentes.

Mapa elaborado por el FIDA │13-06-17

Resumen

I Antecedentes

1. La Oficina de Evaluación Independiente del FIDA llevó a cabo una evaluación de los resultados del Programa de Intermediación Financiera Rural en el Reino de Lesotho. Los objetivos principales eran los siguientes: i) hacer una valoración independiente de los resultados generales del programa, y ii) generar enseñanzas y recomendaciones para el diseño y la ejecución de las operaciones en curso y futuras en el país.

2. Esta evaluación se realizó sobre la base de un examen teórico de los datos y documentos disponibles en relación con el programa, y una misión en el país que tuvo lugar del 20 al 31 de marzo de 2017. Además del examen teórico, entre los métodos para la obtención de datos se emplearon entrevistas con varias partes interesadas (funcionarios gubernamentales, personal del FIDA, antiguo personal del programa, asociados en la ejecución y beneficiarios) y la observación directa. El equipo de evaluación condujo entrevistas con diversas instituciones financieras de carácter asociativo, como por ejemplo asociaciones de ahorro y préstamo de las aldeas, comunidades de ahorro y préstamo interno, grupos rurales de ahorro y crédito y cooperativas financieras impulsadas por diferentes asociados en la ejecución.

II. El programa

3. La meta de desarrollo del programa era “reducir la pobreza, aumentar los ingresos y contribuir al desarrollo económico general”. El programa tenía como objetivo mejorar de forma sostenible el acceso de la población rural pobre a servicios financieros eficaces. La teoría del cambio en la que se sustentaba el programa era que este mejoraría de forma sostenible el acceso de la población pobre en zonas rurales a los servicios financieros apoyándose en cuatro pilares: i) el fortalecimiento de la capacidad de los asociados gubernamentales en la ejecución, que a su vez consolidaría la capacidad de las instituciones financieras de carácter asociativo para actuar como intermediarios financieros locales y les permitiría a estas instituciones acumular los ahorros de los miembros y transformarlos en préstamos que estos podrían utilizar para atenuar las fluctuaciones de sus ingresos y financiar sus empresas; ii) el fortalecimiento de la capacidad del equipo directivo superior y el personal del Lesotho Post Bank, con lo cual se transformaría una caja postal de ahorros en un banco autosuficiente, se ampliaría el alcance de sus servicios de crédito a las zonas rurales y se daría a los prestatarios los medios para financiar empresas generadoras de ingresos y empleo; iii) el fortalecimiento de la capacidad reguladora y de supervisión del Banco Central de Lesotho y los asociados gubernamentales en la ejecución, que a su vez colaborarían en la formulación y aplicación de un marco jurídico y regulatorio para las instituciones financieras de carácter asociativo, y iv) el apoyo al establecimiento de vínculos entre las instituciones financieras formales y las instituciones financieras de carácter asociativo mediante el otorgamiento de créditos a estas últimas para a su vez representar a sus miembros.

4. El programa tenía un alcance nacional y las intervenciones sobre el terreno se ponderaron de manera diferente entre los 10 distritos del país. Los efectos directos previstos eran tres, a saber: i) el fortalecimiento de las instituciones financieras de carácter asociativo para que pudieran prestar servicios eficaces a sus miembros en las zonas rurales y periurbanas; ii) la ampliación del alcance de los servicios de las instituciones financieras formales en las zonas rurales, y iii) la creación de un entorno y un marco institucional propicios para promover servicios financieros inclusivos. Estos efectos directos correspondían en gran medida a los tres

componentes principales del programa: i) creación de instituciones financieras de carácter asociativo; ii) fomento de instituciones financieras formales para el medio rural, y iii) creación de un entorno favorable.

III. Constataciones principales

5. Pertinencia. El objetivo del programa y los principales ejes del diseño eran pertinentes, en términos generales, y abordaban las esferas clave en cuanto a apoyar la financiación y microfinanciación en zonas rurales en Lesotho. Sin embargo, el programa fue demasiado ambicioso, ya que no tuvo suficientemente en cuenta la complejidad que suponía establecer un marco de políticas, regulatorio y de supervisión adecuado en el contexto del programa. Hubo asimismo ciertos problemas en relación con la fuerte dependencia de los organismos gubernamentales como asociados en la ejecución para el fomento de las instituciones financieras de carácter asociativo; estos problemas, si bien se habían detectado en un proyecto anterior en el país, no se evaluaron debidamente en el diseño.

6. Eficacia. Con la participación de dos organizaciones no gubernamentales internacionales (ONGI), a saber, Catholic Relief Services (CRS) y la Cooperativa de Asistencia y Auxilio a Cualquier Parte del Mundo (CARE), el programa logró buenos resultados en cuanto al establecimiento de instituciones financieras de carácter asociativo: se crearon 639 instituciones, compuestas de 10 039 miembros. El programa también contribuyó de forma notable a la transformación del Lesotho Post Bank en un banco comercial plenamente autorizado, que comenzó a ser rentable en 2014, tres meses antes de la fecha de terminación del programa. No obstante, no se dispuso de ningún dato sobre el número de préstamos colectivos otorgados a las instituciones financieras de carácter asociativo durante el período de ejecución del programa. Tampoco se establecieron de manera eficaz los vínculos previstos entre dichas instituciones y el Lesotho Post Bank.

7. Eficiencia. El plazo que transcurrió entre la aprobación del préstamo y su entrada en vigor fue de alrededor de siete meses, que es inferior al promedio de otros proyectos financiados por el FIDA en Lesotho. No obstante, el inicio de la ejecución experimentó retrasos debido principalmente a la preparación insuficiente de la unidad de coordinación del programa, en particular una falta de familiaridad con los procedimientos del FIDA, una gestión financiera deficiente y una inadecuada dotación de personal. La proporción de los costos de gestión del programa fue injustificadamente alta, lo que comprometió seriamente la eficiencia del programa.

8. Impacto en la pobreza rural. No se dispuso de datos fiables y concluyentes para apoyar la evaluación del impacto del programa en la pobreza rural, en especial en los ingresos y activos netos de los hogares, la seguridad alimentaria y la productividad agrícola. Las contribuciones más notables se produjeron en las esferas de impacto correspondientes a ‘‘instituciones y políticas’’ y ‘‘capital humano y social y empoderamiento’’. El programa había fomentado eficazmente la capacidad de dos tipos de instituciones como proveedores de servicios financieros para el grupo objetivo: las asociaciones de ahorro y préstamo de las aldeas, y las comunidades de ahorro y préstamo interno. Este objetivo se logró principalmente en colaboración con la CARE y CRS. El programa también contribuyó de manera significativa a la transformación institucional y la creación de la capacidad del Lesotho Post Bank. La generación de capital humano y social y el empoderamiento se observaron, respectivamente, a nivel de los agentes de aldeas y las instituciones financieras de carácter asociativo. Se constataron indicios de creación de puestos de trabajo o crecimiento sistémico de las empresas en las zonas de ejecución del programa. Sin embargo, debido a la falta de datos, fue difícil evaluar el impacto de los servicios financieros en las condiciones de vida y los ingresos de los hogares del grupo objetivo.

9. Sostenibilidad de los beneficios. El Programa de Intermediación Financiera Rural tuvo dos logros importantes: el fortalecimiento de la capacidad de las instituciones financieras de carácter asociativo y del Lesotho Post Bank. Es probable que la sostenibilidad de las instituciones financieras de carácter asociativo que se han establecido se garantice por medio de las orientaciones y el apoyo que brinden sus respectivos organismos promotores. La sostenibilidad del Lesotho Post Bank se basa en dos factores clave: la rentabilidad y el alcance de sus servicios de ahorro y crédito. Los datos disponibles mostraron que las operaciones de préstamo introducidas por conducto del programa tuvieron un impacto claro y continuo en los resultados y la sostenibilidad del banco. No se logró establecer vínculos entre las instituciones financieras de carácter asociativo y los bancos comerciales durante el período de ejecución del programa y sigue sin estar claro en qué medida se podrían crear estos vínculos en un futuro cercano.

10. Innovación. El aspecto más innovador del programa fue el proceso de transformación de una caja postal de ahorros en un intermediario financiero rentable y de rápida expansión, con servicios de ahorro y crédito distribuidos en todo el país. Este logro destaca especialmente si se compara con los bancos de ahorro y agrícolas de muchos otros países africanos. Por lo que respecta a las instituciones financieras de carácter asociativo, se analizaron dos aspectos que habrían sido innovadores no solo para Lesotho, sino también para muchos otros países de África, pero no se llegaron a introducir. Esto puede atribuirse a contratos que no pudieron renovarse y la consiguiente falta de tiempo para: i) organizar a proveedores de servicios privados en redes, y ii) promover asociaciones de ahorro y préstamo de las aldeas, así como comunidades de ahorro y préstamo interno en los distritos o en otras asociaciones locales. Las cooperativas financieras y los grupos rurales de ahorro y crédito, como subsectores, junto con sus respectivos organismos promotores gubernamentales, tendieron a ser reacios a la innovación del sistema.

11. Ampliación de escala. La ampliación de escala de los beneficios del programa está vinculada principalmente a la creación de instituciones financieras de carácter asociativo por parte de CRS así como por dos organizaciones no gubernamentales (ONG) locales: Caritas y la Care for Basotho. Otras contribuciones a la ampliación de escala y la sostenibilidad de las instituciones financieras de carácter asociativo podrían provenir de: i) nuevos proyectos de las ONGI que incorporen grupos de ahorro como estrategia transversal; ii) redes futuras de ONG que colaboren en las estrategias y políticas de grupos de ahorro, y iii) futuras redes de agentes de aldeas y proveedores de servicios privados.

12. Igualdad de género y empoderamiento de la mujer. El entorno para promover la igualdad de género y el empoderamiento de la mujer es relativamente favorable, dado que históricamente en Lesotho se ha fomentado la igualdad de género. Este entorno propició la participación de mujeres entre los beneficiarios, participación que se mantuvo alta a lo largo de todo el programa, aun cuando en el diseño no se especificaban metas o directrices en cuanto a la igualdad de género. Los datos empíricos disponibles apuntaban también a que las mujeres poseían un considerable poder de decisión dentro de sus hogares. Al mismo tiempo, por lo que se refiere a la carga de trabajo doméstico, las mujeres beneficiarias soportaban una carga desproporcionada, al esperarse que se ocuparan de los hijos, cocinaran, realizaran actividades agrícolas y también estuvieran al frente de pequeños negocios. En este sentido, se considera que los esfuerzos para que las mujeres lograsen una distribución más equilibrada del trabajo en sus hogares han sido limitados.

13. Los criterios relativos a ‘‘medio ambiente y gestión de los recursos naturales’’ y ‘‘adaptación al cambio climático’’ no se calificaron en esta evaluación, ya que no hubo intervenciones directas en este contexto y el equipo de evaluación dispuso de muy pocos datos objetivos para realizar una valoración sólida.

III Conclusiones

14. Pese a que su objetivo era prometedor, el programa era demasiado ambicioso y no tuvo suficientemente en cuenta ni la capacidad de los organismos de ejecución, ni el hecho de que el sector financiero no estaba bien establecido en el país. El programa tenía un objetivo ambicioso: mejorar de forma sostenible el acceso de la población rural pobre a servicios financieros eficaces. Aunque se logró establecer intermediarios financieros con una cobertura de servicios que llegaba a las zonas rurales y que movilizaron sus propios recursos para su uso como fondos destinados a préstamos, al término del programa no se alcanzó el objetivo previsto, ya que no se establecieron realmente vínculos entre las instituciones financieras de carácter asociativo y los bancos comerciales.

15. Al constatar que los organismos de ejecución gubernamentales eran demasiado precarios para impulsar el sector de las instituciones financieras de carácter asociativo, se incorporó a dos ONGI como asociados en la ejecución, lo que probó ser un enfoque eficaz y demostró la flexibilidad del FIDA. La experiencia del programa en el establecimiento de instituciones financieras de carácter asociativo con funciones de intermediarios financieros locales de propiedad de sus miembros fue dispar: fracasó con los asociados en la ejecución gubernamentales, mientras que obtuvo buenos resultados con los asociados no gubernamentales. Gracias a los esfuerzos de CRS y la CARE, se logró abarcar a un número significativo de instituciones financieras de carácter asociativo y a sus miembros, y se les brindó capacitación. Estas instituciones consiguieron además proporcionar a sus miembros instrumentos que les permitieron depositar y acumular sus ahorros y transformarlos en préstamos de pequeña cuantía y repartos anuales más cuantiosos. El número considerable de asociaciones de ahorro y préstamo de las aldeas y comunidades de ahorro y préstamo interno promovidas por CRS y la CARE responde a la demanda de servicios financieros accesibles, asequibles y sostenibles por parte de las personas pobres de las zonas rurales.

16. El programa obtuvo buenos resultados en lo que concierne a transformar el Lesotho Post Bank en un banco minorista autosuficiente y sostenible, plenamente autorizado para operar, y a ampliar el alcance de los servicios de crédito y ahorro en el medio rural. La transformación de instituciones financieras de propiedad estatal ha sido una experiencia difícil en muchos países. Cuando el proceso se financiaba con préstamos a los gobiernos, a menudo no se lograban resultados porque no había recursos disponibles para contratar a los mejores expertos internacionales. El Lesotho Post Bank se ha visto sometido a presiones para lograr un equilibrio entre obtener beneficios y prestar servicios a clientes de ingresos más bajos de las zonas rurales, como estaba previsto en la evaluación ex ante. Esta presión fue, y sigue siendo, el principal obstáculo que impide que los bancos comerciales establezcan mayores vinculaciones financieras.

17. El impacto del programa en la pobreza rural fue moderado. Por un lado, el programa consolidó con éxito la capacidad de las instituciones financieras de carácter asociativo y el Lesotho Post Bank, lo que sentó las bases para mejorar el capital humano y social, así como para aumentar el acceso a servicios financieros asequibles y sostenibles. Es probable que algunos de los beneficios del programa se materialicen una vez finalizado el período de ejecución. Por otro lado, no se dispuso de datos fiables y concluyentes para apoyar la valoración del impacto del programa en la pobreza rural, en particular en los ingresos y activos netos de los hogares, la seguridad alimentaria y la productividad agrícola.

IV Recomendaciones

18. Recomendación 1. Establecer instituciones financieras privadas de carácter asociativo solo con asociados en la ejecución privados y/o no gubernamentales. Se recomienda que en proyectos futuros se recurra a organismos no gubernamentales, preferiblemente ONG experimentadas, como asociados en la ejecución encargados de fomentar el establecimiento de instituciones financieras de carácter asociativo. Para ello se necesitan fuentes de financiación distintas de los préstamos a gobiernos (por ejemplo, donaciones). El Gobierno, a través del banco central, tiene la responsabilidad de asegurar un entorno normativo y regulatorio propicio, proceso que puede financiarse por medio de préstamos.

19. Recomendación 2. Asignar en la fase de diseño fondos procedentes de donaciones o en colaboración con otros asociados para dos estrategias de salida que conjuguen sostenibilidad y ampliación de escala, en la fase posterior a la terminación en caso necesario, que incluiría: i) la organización de proveedores de servicios privados en redes, y ii) la organización de grupos en asociaciones locales o de distrito. Recurrir a proveedores de servicios privados, por cuyos servicios pagan los grupos de ahorro que han establecido, es considerado por las ONG una estrategia de salida que puede utilizarse al final de sus diversos proyectos breves en los que se establecen grupos de ahorro o instituciones financieras de carácter asociativo como estrategia transversal. A menos que los proveedores de servicios privados se organicen en redes a fin de constituir la base para la comunicación y el apoyo mutuo y posiblemente externo, su relación con los grupos que han establecido —así como con otros grupos nuevos— probablemente sea efímera. Una estrategia conexa y de refuerzo mutuo consistiría en organizar grupos en asociaciones locales o de distrito.

20. Recomendación 3. Fortalecer la capacidad de la actual secretaría nacional de las ONG para que puedan actuar como un facilitador clave de instituciones financieras de carácter asociativo con fines de coordinación, representación y adquisición de recursos. La función de facilitación de grupos de ahorro que desempeñan las ONGI es una estrategia transversal que se aplica en numerosos proyectos locales de escala y duración limitadas. Normalmente no hay coordinación o diálogo en materia de políticas entre las diversas ONGI participantes y las ONG locales. Cuando los proyectos locales llegan a su término, la facilitación, la supervisión y la presentación de informes en la Plataforma de Intercambio de Información suelen detenerse. Debería intentar fortalecerse la capacidad del consejo nacional existente para que pueda tener un papel más dinámico en lo relativo a brindar apoyo al sector de la financiación y la microfinanciación rural. Para llevar este proceso a una conclusión sostenible, se requeriría la intervención de un organismo internacional como el FIDA, con una agenda integral de desarrollo a largo plazo.

21. Recomendación 4. Mejorar la capacidad e integridad del personal de gestión del programa en proyectos futuros. Para los proyectos financiados por el FIDA en Lesotho en el futuro, el Gobierno debería adoptar todas las medidas posibles para asignar personal competente al proyecto a fin de garantizar la capacidad e integridad que la unidad de coordinación del programa requiere. También se deberían proporcionar capacitación e incentivos para aumentar la estabilidad de la unidad de coordinación y reducir la rotación del personal clave del proyecto que se experimentó durante la ejecución del Programa de Intermediación Financiera Rural.

Respuesta de la dirección del FIDA

I. Resumen

1. La dirección acoge con agrado la evaluación de los resultados del Programa de Intermediación Financiera Rural en el Reino de Lesotho y destaca la buena calidad del informe.

2. En general, la dirección concuerda con la evaluación de la Oficina de Evaluación Independiente (IOE) respecto de los resultados del programa y observa que en la evaluación se reconoce la contribución del programa a la mejora del acceso de la población rural pobre a servicios financieros eficaces. La dirección está satisfecha de constatar que haya coherencia entre la evaluación de los resultados del programa y el informe final del programa por lo que se refiere a las constataciones y enseñanzas extraídas, así como a las calificaciones asignadas. La dirección también se complace en observar que la calificación relativa a la "sostenibilidad de los beneficios" registra una mejora de 3 a 4. Esto pone de manifiesto la notable contribución del programa a la transformación del Lesotho Post Bank en un intermediario financiero autosuficiente y rentable con servicios de crédito en rápido crecimiento tanto para clientes de zonas urbanas como rurales. La dirección también expresa conformidad con las conclusiones de la misión de evaluación de los resultados del programa en cuanto a que CRS y dos ONG locales han intensificado el desarrollo de instituciones financieras de carácter asociativo, lo que permitió que el número de comunidades de ahorro y préstamo interno y asociaciones de ahorro y préstamo de las aldeas aumentara de 552 a 1 682. La dirección coincide con la evaluación en que este aumento podría señalar buenas perspectivas de cara a una futura ampliación de escala.

3. La dirección acoge con agrado las recomendaciones formuladas en la evaluación de los resultados del programa, que sin duda contribuirán a intensificar el diálogo en curso con el Gobierno de Lesotho sobre el apoyo programático al sector de la financiación rural en el país. Se presentan a continuación las opiniones de la dirección sobre las recomendaciones propuestas.

II. Respuestas a las recomendaciones

4. Recomendación 1. Establecer instituciones financieras privadas de carácter asociativo solo con asociados en la ejecución privados y/o no gubernamentales. Sobre la base de las enseñanzas y experiencias del Programa de Intermediación Financiera Rural y el Proyecto de Fomento de la Financiación y la Empresas Rurales, se recomienda que en proyectos futuros se recurra a organismos no gubernamentales, preferiblemente ONG con experiencia, como asociados en la ejecución para promover instituciones financieras de carácter asociativo. Para ello se necesitan fuentes de financiación distintas de los préstamos a gobiernos (por ejemplo, donaciones). El Gobierno, a través del banco central, tiene la responsabilidad de asegurar un entorno normativo y regulatorio propicio, proceso que puede financiarse por medio de préstamos.

   Respuesta de la dirección: de acuerdo. La dirección se muestra de acuerdo en que el diseño del programa era demasiado ambicioso y no tenía debidamente en cuenta la capacidad de los organismos gubernamentales como asociados en la ejecución. La dirección también está de acuerdo en que el enfoque que se adoptó posteriormente de colaborar con Catholic Relief Services y la CARE como organismos de ejecución resultó eficaz. Pese a ello, la dirección es de la opinión de que la ejecución de las actividades del programa por conducto de organismos no gubernamentales no ha de financiarse exclusivamente con donaciones.

5. Recomendación 2. Asignar en la fase de diseño fondos procedentes de donaciones o en colaboración con otros asociados para dos estrategias de salida que conjuguen sostenibilidad y ampliación de escala, en la fase posterior a la terminación en caso necesario, que incluiría: i) la organización de proveedores de servicios privados en redes, y ii) la organización de grupos en asociaciones locales o de distrito. Recurrir a proveedores de servicios privados, por cuyos servicios pagan los grupos de ahorro que han establecido, es considerado por las ONG una estrategia de salida que puede utilizarse al final de sus diversos proyectos breves en los que se establecen grupos de ahorro o instituciones financieras de carácter asociativo como estrategia transversal. A menos que los proveedores de servicios privados se organicen en redes a fin de constituir la base para la comunicación y el apoyo mutuo y posiblemente externo, su relación con los grupos que han establecido —así como con otros grupos nuevos— probablemente sea efímera. Una estrategia conexa y de refuerzo mutuo consistiría en organizar grupos en asociaciones locales o de distrito.

Respuesta de la dirección: de acuerdo. La dirección está de acuerdo en que la organización de los proveedores de servicios privados en redes y la organización de los grupos en asociaciones locales o de distrito son dos elementos clave para garantizar la sostenibilidad del apoyo que se presta a los grupos de ahorro e instituciones financieras de carácter asociativo. La dirección reconoce que el fortalecimiento de esas redes debería ser parte integral del programa durante la ejecución, a fin de asegurar que no dependen exclusivamente de las donaciones y de la colaboración con otros asociados.

6. Recomendación 3. Fortalecer la capacidad de la actual secretaría nacional de las ONG para que puedan actuar como un facilitador clave de instituciones financieras de carácter asociativo con fines de coordinación, representación y adquisición de recursos. La función de facilitación de grupos de ahorro que desarrollan las ONGI es una estrategia transversal que se aplica en numerosos proyectos locales de escala y duración limitadas. Normalmente no hay coordinación o diálogo en materia de políticas entre las diversas ONGI participantes y las ONG locales. Cuando los proyectos locales llegan a su término, la facilitación, la supervisión y la presentación de informes en la Plataforma de Intercambio de Información suelen detenerse. Debería intentar fortalecerse la capacidad del consejo nacional existente para que pueda tener un papel más dinámico en lo relativo a brindar apoyo al sector de la financiación y la microfinanciación rural. Para llevar este proceso a una conclusión sostenible, se requeriría la intervención de un organismo internacional como el FIDA, con una agenda integral de desarrollo a largo plazo.

Respuesta de la dirección: de acuerdo. La dirección estudiará formas de aprovechar actividades futuras en el marco del programa en el país en Lesotho para fortalecer la capacidad del consejo nacional en este sentido.

7. Recomendación 4. Mejorar la capacidad e integridad del personal de gestión del programa en proyectos futuros. Para los proyectos financiados por el FIDA en Lesotho en el futuro, el Gobierno debería adoptar todas las medidas posibles para asignar personal competente al proyecto a fin de garantizar la capacidad e integridad que la unidad de coordinación del programa requiere. También se deberían proporcionar capacitación e incentivos para aumentar la estabilidad de la unidad de coordinación y reducir la rotación del personal clave del proyecto que se experimentó durante la ejecución del Programa de Intermediación Financiera Rural.

Respuesta de la dirección: de acuerdo. La dirección está de acuerdo en que la capacidad e integridad del equipo de la unidad de coordinación del programa son fundamentales para la obtención de buenos resultados en la ejecución. En este sentido, la dirección seguirá determinando el enfoque de ejecución más eficaz, reconociendo al mismo tiempo las limitaciones de la capacidad disponible en el país.

III. Conclusión

8. La dirección reafirma su compromiso de asimilar las enseñanzas extraídas de esta extensa labor de evaluación y sus conclusiones para seguir mejorando los resultados de los programas financiados por el FIDA en el Reino de Lesotho.

The Kingdom of Lesotho
Rural Financial Intermediation Programme
Project Performance Evaluation

Main Report

Contents

Annexes

I. Evaluation objectives, methodology and process

1. Background. The Independent Office of Evaluation of IFAD (IOE) undertakes project performance evaluations (PPEs) for a number of selected completed projects.[1] The Rural Financial Intermediation Programme in the Kingdom of Lesotho (RUFIP) was selected for a PPE to build evaluative evidence for IFAD's approaches to support rural finance in recipient Member States at the project level.

2. Objective and focus. In general terms, the main objectives of PPEs are to: (i) provide an independent assessment of the overall results of projects; and (ii) generate lessons and recommendations for the design and implementation of ongoing and future operations in the country. Among others, this PPE focused on selected key issues that emerged from the preparation phase of desk reviews, including: (a) relevance of programme design; (b) monitoring and evaluation (M&E) system and programme impact; (c) sustainability of the programme's benefits; (d) programme management cost ratio; and (e) the positioning of RUFIP and IFAD in the rural finance sector.

3. Methodology. This evaluation follows IFAD Evaluation Policy (revised in 2015)[2] and the second edition of IFAD Evaluation Manual (2015).[3] It adopts a set of internationally recognized evaluation criteria (see annex II) and a six-point rating system (annex III, footnote a). Given that none of the programme inventions had a specific focus on climate change or environment and natural resources management, these two criteria will not be assessed in this evaluation. The PPE has prepared a theory of change to capture the intervention logic of the programme and identify gaps in evidence (see annex VII). The evaluation relies on a wide range of available documents[4] and a two-week country mission with field visits. The sites for field visits were selected in close consultation with the implementation partners to ensure that all types of saving groups facilitated by different agencies with the support of this programme would be covered.

4. As normally is the case with PPEs, given the time and resource constraints, no extensive primary data collection was undertaken through detailed quantitative surveys. However, taking advantage of the country mission, the evaluation team collected first-hand data and information through semi-structured instruments during the interviews. Other data collection methods included individual and group discussions with stakeholders, including district officials of the Department of Cooperatives (DOC), facilitators and members of saving groups as well as beneficiaries of other IFAD-financed projects in the same district. Other key informants were interviewed by the evaluation team in Maseru city and in Rome, including former country programme managers (CPMs), key government officials, senior management of the Lesotho Post Bank and Lesotho Standard Bank, and representatives of non-governmental organizations (NGOs). Historical data on the performance of the Lesotho Post Bank was obtained during the country mission.

5. Process. The PPE mission[5] was undertaken from 20 March to 31 March 2017. At the start of the mission, the team had a first round of meetings with key stakeholders in Maseru city, including the Ministry of Finance, Ministry of Agriculture and Food Security (MAFS), Department of Cooperatives of the Ministry of Small Business, Development, Cooperatives & Marketing, Central Bank of

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[1] In line with IFAD Evaluation Manual (second edition, 2015), the selection criteria for PPEs includes: (i) projects of strategic relevance that offer enhance opportunities for learning; (ii) a need to build evidence for forthcoming corporate-level evaluations and country strategy and programme evaluations or evaluation synthesis reports; (iii) providing a regional balance of IOE's evaluation programme; and (iv) projects with innovative features that merit deeper analysis and documentation.
[2] https://www.ifad.org/documents/10180/3360f12f-4750-4df4-93c3-7af62d8ee0e0.
[3] https://www.ifad.org/documents/10180/bfec198c-62fd-46ff-abae-285d0e0709d6.
[4] Including project supervision reports, mid-term review report, impact assessments, project completion report, and baseline survey. See also annex IX for bibliography.
[5] The mission consisted of Xiaozhe Zhang (lead evaluator and IOE Evaluation Analyst) and Hans Dieter Seibel (IOE senior consultant), with remote support of Jorge Carballo Gutierrez (Evaluation Research Analyst, IFAD Headquarters).

Lesotho, Lesotho Post Bank, former project staff and two international non-governmental organizations (INGOs) which were key implementation partners: Catholic Relief Services (CRS) and CARE.[6] Following the initial meetings in the capital, the team visited four out of the ten districts in Lesotho (Berea, Hoek, Maseru, Mohale's and Quthing), where the team met with District Cooperative Officers and local group facilitators. The team interviewed a range of selected member-based financial institutions (MBFIs), including village savings and loan associations (VSLAs), saving and internal lending communities (SILCs), rural savings and credit groups (RSCGs), and financial cooperatives[7] promoted by different implementation partners. In total, the evaluation team interacted with about eight saving groups and approximately 100 beneficiaries who were members of these savings groups. (See annex IX for the list of key people met and interviewed.)

6. At the end of the mission, a wrap-up meeting was organized in the Ministry of Finance for the PPE team to share its preliminary findings with project stakeholders and IFAD's country programme management team. Following the completion of the country mission, further analysis of the data and information was conducted to inform the draft PPE report. The draft report was first subjected to a peer review within IOE and then to an external peer review. Thereafter, it was shared with IFAD's East and Southern Africa Division and the Government of Lesotho for comments before being finalized.

7. **Data availability and limitations.** The programme's baseline survey was conducted in 2009, followed by IFAD's standard Results and Impact Management System (RIMS) reports which were produced in 2011, 2012 and 2013.[8] In 2014, one year before programme completion, an impact assessment was undertaken by an outsourced institute.[9] Data from the RIMS reports were limited and incomplete (especially for level-3 indicators) and thus constrained the analysis of programme outcomes and impact (see section on rural poverty impact).

8. A client satisfaction survey was conducted by the Ministry of Finance to collect data in areas such as the number of MBFIs created, the size of outstanding loans, and number of training activities. As IFAD's funding was mainly used to support capacity-building of the implementing agencies, there was hardly any data available on outcomes and impact in relation to the households' income. Another element is that some of the districts under RUFIP are also covered by a different type of project financed by IFAD: the Smallholder Agricultural Development Project.[10] In this context, a number of the saving groups established by RUFIP also received support from the Smallholder Agricultural Development Project, which makes it difficult to distinguish the respective impacts of these two projects.

9. With the intention to fill the data gaps at the outcome level, the project completion review (PCR) mission conducted a client survey in 2015 with focus groups to collect data in areas such as gender and employment status, improvements in income, satisfaction with training received, income generation through the skills obtained,

[6] CARE International was involved in the implementation of the development of MBFIs. CARE closed its office in Lesotho in March 2015 and handed over to a newly created local NGO, Care for Basotho, as part of its commitment to support local civil society. A majority of the staff of CARE in Lesotho remained as staff of Care for Basotho.
[7] Four types of financial self-help groups were promoted under RUFIP: VSLAs, SILCs, RSCGs and financial cooperatives. The first three are brand names of the same basis type of informal savings and credit group. These groups collect small savings at regular meetings and convert them into short-term loans to members at high interest rates; the proceeds – savings and interest income – are returned to the members according to their savings inputs at annual share-outs, after which the groups start a new cycle. Financial cooperatives are a formal variant of savings and credit groups under cooperative law. They are larger than the informal groups, member savings are withdrawable and there is no annual share-out. Part of the savings and interest income are entered into a loan fund, with access to refinancing by the DOC. See annex VII for details on the key features of selected MBFIs.
[8] The 2013 RIMS survey was jointly conducted for RUFIP and Smallholder Agricultural Development Project, a project financed by IFAD in Lesotho from 2011 to 2017.
[9] SA Business Resources Institute (SABRI). The 2013 RIMS report was also prepared by SABRI.
[10] Smallholder Agricultural Development Project is a project co-funded by the United Nations Development Programme and the United Nations Capital Development Fund in Lesotho.

and food security. Nonetheless, the sample of the PCR client survey is comparatively small (in total 134 respondents).[11]

[11] Annex Twelve - Assessment of Impact Data M&E and Lessons learnt, Project Completion Report (page 47).

II. The programme[12]

A. Programme context

10. Country background. The Kingdom of Lesotho[13] is a mountainous and landlocked country which is completely surrounded by the Republic of South Africa. It covers about 30,366 square kilometres and over 80 per cent of its land area lies above 1,800 metres.[14] The estimated total population in 2017 is 2.18 million,[15] which compares to the 2006 census population of 1.87 million. It is estimated that about 70-80 per cent of the total population lives in rural areas.

11. Lesotho has been classified as lower middle-income country since 2005.[16] Its gross national income ranged from US$80 (1966) to US$1,280 (2015), with the highest amount in 2013 (US$1,660). Significant economic growth was observed between 2003 and 2011, with the gross domestic product increasing from US$1.158 billion to US$2.796 billion within a decade. Despite its gross domestic product growth, national poverty figures indicate that 57.1 per cent of the population lives below the national poverty line (around LSL 242.62 per month,[17] equivalent to US$23.56).[18] According to the latest Lesotho Vulnerability Assessment by the United Nations Development Programme (UNDP) in 2016, about 680,000 people, or one-third of the total population, are food-insecure and lack sources for livelihood security. Lesotho ranked 160 out of the 189 countries in the United Nations Human Development Index in 2015.[19] Between 1990 and 2015, Lesotho's Human Development Index value increased from 0.493 to 0.497.

12. Traditionally, the agriculture sector is one of the main sources of employment and sustenance in the rural area, and over three-quarters of the total population engage in subsistence farming. The contribution of the agriculture sector[20] to the gross domestic product has remained at around 8 per cent since 2006.[21] Agricultural development is immensely confronted by climate change impacts, including severe soil erosion, soil exhaustion, desertification, unfavourable weather conditions,[22] and severe environmental challenges. Out of the total land mass, only 9 per cent could be considered as arable land (279,733 hectares) and about 66 per cent is suitable for pasture. Incomes are generated through traditional low-input and low-output cereal production and extensive animal grazing. The main crops are maize, sorghum and wheat, which account for about 60 per cent, 20 per cent and 10 per cent of the arable land, respectively.[23]

13. Efforts to alleviate poverty in Lesotho have been constrained by several factors. Geographically, being a mountainous enclave of its neighbour country South Africa, Lesotho is landlocked from trading ports. The north-western part of Lesotho comprises low-land and foothills, the north-eastern part is dominated by mountains, and the south-western part is characterized as highlands. The rugged

[12] RUFIP carries the name of a programme. This report uses the term programme and project interchangeably.
[13] Since its independence in October 1966, Lesotho has been a constitutional monarchy ruled by a king as Head of the State and governed by a bi-cameral Parliament consisting of a Senate with 33 seats and a National Assembly with 120 seats. Leabua Jonathan was the first Prime Minister.
[14] Lesotho is the only independent state in the world that lies entirely above 1,000 metres in elevation. Its highest point is Thabana Ntlenyana, standing at 3,482 metres, and the lowest point is the junction of the Senqu (Orange) and Makhaleng rivers, sitting at 1,388 meters.
[15] http://www.worldometers.info/world-population/lesotho-population/, accessed on 1 March, 2017.
[16] Before 2005, Lesotho was classified as low middle-income county once in 1995, and the range of gross national income per capita for low middle-income countries was between US$ 766 and US$ 3,035 in that year.
[17] Allwine et al. 2013.
[18] http://data.worldbank.org/country/Lesotho.
[19] UNDP (2016). Human Development Report – Lesotho.
[20] Including hunting, forestry, and fishing.
[21] Lesotho, African Economic Outlook (2012). Available at: www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Lesotho%20Full%20PDF%20Country%20Note.pdf.
[22] In In 2007 Lesotho experienced its worst drought in 30 years, and in 2010 heavy rainfall destroyed crops and washed away top soil and much needed nutrients. In 2015, the El Niño drought adversely affected Lesotho, which resulted in a declaration of "state of drought emergency" issued by the Prime Minister on 22 December 2015.
[23] http://www.lesothoreview.com/agriculture-2015.php.

terrain makes it more technically difficult and costly to build up rural infrastructure and improve rural people's access to markets. The unique geographical characteristics of Lesotho result in labour emigration to South Africa. Until the 1980s, more than half of Lesotho's gross national product was derived from remittances from workers employed in South African mines. In recent decades, mines employment has dropped to less than 50 per cent of the peak time and the opportunities are preferably given to local workers in South Africa. At present, remittance from South Africa account for about 17 per cent of the gross domestic product.

14. HIV/AIDS remains a serious problem in Lesotho and has greatly hampered economic and social development in the past decades. Lesotho's HIV/AIDS adult prevalence rate (22.73 per cent) is the second highest in the world after Swaziland, which constitutes a key reason for the low average life expectancy (53.1 years in 2016). The HIV/AIDS epidemic creates a vicious circle of poverty (ill health – unemployment – high infant mortality – malnutrition – high fertility – poverty)[24] and therefore has severe negative impacts on agricultural production and family livelihoods. As the majority of the HIV/ADS deaths occur among adults between 25 and 45 years of age, it has greatly reduced the number of household members working full-time and created inter-generational poverty by impoverishing surviving orphans and depleting household assets by expenses on health care and burials.

15. Gender equality has been historically in favour of women in Lesotho. According to the Global Gender Gap Report,[25] Lesotho ranked 26 out of 128 countries in 2007 and has fully closed both its educational attainment and health gender gaps in the past decade. Literacy rates (in the age group 15-49 years) are high at 96.9 per cent for women and 80.9 per cent for men. Women are better educated, while men tend to devote themselves to livestock and subsistence farming from an early age.

16. Programme environment. At the time of programme design (2006/2007), the financial sector of Lesotho demonstrated three main characteristics: (i) a dominance of three foreign banks (Standard Lesotho Bank, Nedbank and First National Bank);[26] (ii) a strong informal financial sector; and (iii) an absence of a sizable microfinance sector. One of the main concerns in the formal financial sector was the low level of lending in Lesotho. Loans account for about 20 per cent of total assets, or 25 per cent of total deposits. The Lesotho banking sector is characterized by a high liquidity ratio.[27] Data from the Lesotho Central Bank indicate that as of December 2006, liquid assets accounted for about 78 per cent of these banks' total assets, which was nearly equivalent to total deposit liabilities.[28] The low level of lending was caused by several factors, of which the most important was that the fully-fledged commercial banks limited their business to selected credit-worthy clients (e.g. large-scale companies operating in Lesotho or South Africa). On the other hand, reserves of these four commercial banks[29] for loan losses stood at 125 per cent over the total amount of non-performing loans, indicating a strict pursuance of the regulations pertaining to bad debt provisions in Lesotho.

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[24] Consumers International 1998.
[25] World Economic Forum (2008). The Global Gender Gap Report. Geneva.
[26] There were two other banks at project design, namely Lesotho Post Bank and Kish City Bank. However, Lesotho Post Bank only received a restricted license from the Central Bank of Lesotho and could not grant loans or advances or deal with foreign exchanges. Kish City Bank was the youngest commercial bank in Lesotho and obtained its license as a merchant bank in August 2006, almost the same period as the project inception phase.
[27] According to Financial Institutions Regulation 2000, the required minimum liquidity ratio is 25 per cent of the aggregate value of deposit liabilities, balances due from banks abroad and other borrowings.
[28] Table 1 Commercial Bank's Performance Ratios. Central Bank of Lesotho. Annual Report 2006.
[29] Kish City Bank had not commenced business at that time.

17. Apart from commercial banks, other types of financial institutions in Lesotho include moneylenders, financial cooperatives and grassroots institutions such as RSCGs. As of December 2006, there were 51 licensed moneylenders and numerous non-licensed moneylenders operating in the informal financial sector.[30] The average interest rate (excluding fees) of moneylenders was 10 per cent to 15 per cent per month, and in some cases the interest rates might be as high as 30 per cent per month. There were two main reasons for the high interest rate of moneylenders. Compared with the requirements requested by the commercial banks, moneylenders were normally much more flexible on the documentation to be provided (e.g. guarantees) and quicker in terms of loan approval and transaction. On the other hand, as the clients of moneylenders may not be selected as strictly as the commercial banks, the risk that borrowers may not be able to repay the loan is likely to be higher.[31]

18. In Lesotho, the legislation for cooperatives provides a loose operating environment.[32] Under the Cooperatives Societies Act 2000, financial cooperatives were permitted to mobilize deposits from the public without strict supervision by governing bodies and even without being subject to any forms of reporting. Consequently, the performance of financial cooperatives was notably low, and one of the most worrying cases was Boliba, a multi-purpose cooperative society which was also the largest cooperative in Lesotho.[33] Difficulties in the recovery process against defaulters has gradually been a common issue of financial institutions.

19. Programme rationale. At design, financial services in rural areas of Lesotho were provided largely by informal financial institutions with limited capacity and outreach.[34] It was widely recognized that the majority of the rural population did not have reliable and regular access to financial services, which largely constrained their opportunities to expand their agricultural activities and improve their sources of income and consequently hampered their efforts to pursue food security and improve their livelihood. The Government of Lesotho also identified, in its Poverty Reduction Strategy, improved access to financial services as one of the priorities for poverty alleviation. RUFIP was designed in this context to respond to the existing demand by the rural poor for financial services and also to strengthen the capacity, increase the outreach, and improve the quality of services of the financial institutions.

20. Programme objectives and outcomes. The development goal of the programme, as stated in the President's Report, was to "alleviate poverty, increase income and contribute to overall economic development".[35] The objective was to "enhance, on a sustainable basis, access by the rural poor to efficient financial services".[36] There were three expected outcomes: (i) MBFIs strengthened to provide efficient services to their members in rural and peri-urban areas; (ii) rural outreach of formal financial institutions expanded; and (iii) conducive environment and institutional framework for promoting inclusive financial services developed. These outcomes largely corresponded to the three main programme components: (a) development of MBFIs; (b) development of formal financial institutions for rural outreach; and (c) development of an enabling environment.

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[30] In accordance with Lesotho Moneylenders Acts (1989 and 1993), moneylenders which serve as a formal financial sector of Lesotho should operate under a license issued by the Central Bank of Lesotho.
[31] As of April 2007, the default rate of the biggest moneylender in Maseru was 6.3 per cent, higher than the standard default rate of 5 per cent.
[32] In general terms, credit unions or cooperatives rendering financial services are permitted by the laws to mobilize share capitals and deposits from their members and allocate the collected funds for loans in line with the established prudential guidelines.
[33] By March 2007, 64 per cent of its loan portfolio was classified as non-performance, 80 per cent of which was due by its members.
[34] With the exception of traditional burial societies.
[35] President's Report. Proposed loan and grant to the Kingdom of Lesotho for the Rural Financial Intermediation Programme. EB 2007/91/R.21/Rev.1. The goal was also stipulated in the Programme's Loan Agreement dated 8 October 2007.
[36] President's Report. EB 2007/91/R.21/Rev. 1.

21. The underlying theory of change in RUFIP, derived from the stated objectives, outcomes and components, was that the programme would contribute to enhanced access of the rural poor to financial services on a sustainable basis through four pillars: (i) building the capacity of governmental implementing partners, which in turn would build the capacity of MBFIs (financial cooperatives, RSCGs, informal groups)[37] as member-owned local financial intermediaries and enabling them to accumulate member savings and transform them into loans to members for income smoothing and the financing of member enterprises; (ii) building the capacity of senior management and staff of Lesotho Post Bank, which in turn would transform a postal savings bank into a self-reliant bank and expanding its credit outreach to rural areas and enabling borrowers to finance their income and employment-generating enterprises; (iii) building the regulatory and supervisory capacity of the Central Bank of Lesotho and governmental implementation partners, which in turn would cooperate in the formulation and enactment of a legal and regulatory framework for MBFIs; and (iv) facilitating linkages between formal financial institutions and MBFIs by providing credit to MBFIs for on-lending to their members.[38] A more detailed presentation of the theory of change developed based on the design document is contained in annex VI.

22. Programme area and target group. RUFIP coverage was nationwide, but interventions at field level were weighted differently among the ten districts, with a focus on districts where CRS and CARE have larger portfolios. The total population was 1.87 million at programme design, with the districts in the West-North region (Butha-Buthe, Leribe, Berea, and Maseru) having 58.8 per cent of the population. Thaba-Tseka, Mokhotlong and Quthing had the highest levels of incidence of poverty (79.89 per cent, 73.73 per cent and 63.93 per cent, respectively).[39]

Table 1
Population and poverty estimates of Lesotho by district (2006)

		*Incidence of poverty**			*Average*		
	District	*Poor*	*Ultra-poor*	*Population*	*HH Size*	*Total HH No.*	*% of population*
West-North	Butha-Buthe	54.95	37.66	135 400	5.1	26 608	58.8
	Leribe	45.34	18.90	386 400	4.8	80 500	
	Berea	46.89	23.20	319 700	4.8	66 604	
	Maseru	36.88	17.97	508 300	4.6	110 500	
South-West	Mafeteng	42.73	22.43	253 300	4.9	51 694	27.1
	Mohale's Hoek	53.21	30.67	220 800	4.8	46 000	
	Quthing	63.93	39.11	149 500	5.3	29 208	
North-East	Qacha's Nek	53.20	26.31	85 100	5.1	16 686	14.1
	Mokhotlong	73.73	43.11	96 600	4.8	20 125	
	Thaba-Tseka	79.89	44.58	142 600	4.9	29 102	
Total		**49.51**	**25.79**	**2 297 700**	**4.9**	**476 027**	**100.00**

Source: RUFIP. Formulation Report. 2006.

23. The Programme Financing Agreement defined the target group of RUFIP as "poor rural households with a member or members with the actual or potential capacity to generate income through economic activities". Specifically, beneficiaries

[37] Burial societies, rotating savings and credit association (ROSCAs), accumulating savings and credit associations (ASCAs).
[38] Good theory of change as the foundation of an intervention requires feasibility studies, specified time dimensions of steps of intervention, and a realistic assessment of stand-alone vs interrelated components. These conditions have not been met in this programme.
[39] World Bank Lesotho Poverty Assessment, 1995.

targeted under the programme included poor small-scale producers engaged in crop and/or livestock production with some marketable surplus, the rural poor who may receive remittances from household members or relatives, landless households with sporadic wage employment opportunities, female-headed households, and unemployed youth. At project design, it was estimated that about 144,000 households (about 720,000 household members) would constitute the primary target group.

B. Programme implementation

24. Timeframe. RUFIP was a seven-year programme. The proposal for financing the Programme was approved by the Executive Board of IFAD on 8 September 2007. The Financing Agreement was signed on 8 October 2007 and declared effective on 31 March 2008. The programme was completed on 31 March 2015 without an extension, and its loan and grant accounts were closed on 31 September of the same year.

25. Programme financing. The planned total cost was at US$10.7 million, of which over 81 per cent was IFAD financing, including an IFAD loan (on highly concessional terms) of Special Drawing Right (SDR) 2.85 million (equivalent to approximately US$4.35 million) and a same amount of IFAD grant of SDR 2.85 million.[40] Other sources of funding include a Government contribution of US$1.2 million, a contribution from Lesotho Post Bank of US$0.5 million and contributions of beneficiaries amounting to US$0.3 million. The summary of programme costs by component at design and actual expenditures are shown in table 2.

[40] The Performance-based Allocation System's allocation for Lesotho for 2007–2009 was US$ 8.71 million. According to the Proposed Arrangements for Implementation of a Debt Sustainability Framework at IFAD (EB/2007/90/R.2), 50 per cent of the 2007-2009 allocation was allocated to Lesotho as grant.

Table 2
Appraisal and actual programme cost by component[a]

	IFAD loan/grant		Government of Lesotho		Total			
Component[b]	Appraisal (US$)	Actual (LSL)	Appraisal (US$)	Actual (LSL)	Appraisal (US$)	%	Actual (LSL)	%[c]
Development of member-based financial institutions	1 659 284	33 340 746	233 599	4 698 161	2 148 330.9[d]	20.0	38 038 906[e]	34.1%
Development of formal financial institution for rural outreach	2 670 388	19 467 677	447 575	3 108 623	3 607 992.9[f]	33.6	22 576 300	20.2%
Development of an enabling environment for rural finance	2 824 030	13 893 164	314,029	361 058	3 147 571.4	29.4	14 254 222[g]	12.8%
Project management	1 534 277	22 015 535	285 606	14 674 115	1 819 883.4	17.0	36 689 469	32.9%
Total	8 687 978	74 276 224	1 227 745	19 004 128	10 723 778	100	111 558 897	100

a Project cost by component was presented in US$ for appraisal and in LSL for actual expenditure, respectively, due to the unavailability of data in US$ in the project documentation.

b According to the Programme Financing Agreement. The Programme Appraisal Report and the PCR had the components formulated in a similar but not identical way.

c Percentage of actual expenditures for each component to the total actual project cost. Data in this column were re-calculated to replace the error in the PCR report.

d The estimated cost for component (i) included a contribution of US$255,447 from the project beneficiaries.

e Calculation is made by the PPE team based on the component cost summary provided in the PCR (page 18). The calculation in the PCR was not correct.

f The estimated cost for component (ii) included a contribution of US$490,030 from the Lesotho Post Bank and US$9,513 from the beneficiaries at project appraisal.

g Calculation is made based on the component cost summary provided in the PCR (page 18). The calculation in the PCR was not correct.

Source: RUFIP Project Completion Report (2015), with corrections.

26. Implementation arrangements. At appraisal, the overall responsibility of programme implementation was entrusted to the Ministry of Finance and Development Planning (MOFDP), especially its Department of Private Sector Development and Financial Affairs in its capacity as Lead Programme Agency.[41] In particular, as stipulated in the loan agreement, the MOFDP was responsible for policy and strategy formulation and implementation in relation to the development of the rural finance sector The responsibilities of daily coordination, financial management and M&E were delegated to the programme coordination unit (PCU) established by the MOFDP.

27. The key implementing agencies included the Central Bank of Lesotho, the Department of Cooperatives, Lesotho Post Bank and the MAFS. Moreover, it was planned that programme coordination would be guided and assisted by two committees: the existing Financial Sector Steering Committee and a Programme Coordination Committee to be established by the MOFDP. The Financial Sector Steering Committee would provide oversight and policy guidance, ensuring effective coordination between relevant initiatives in the financial sector. The Programme Coordination Committee would be responsible for providing implementation oversight and support to ensure the effective implementation of the programme.

[41] During project implementation, the MOFDP was restructured into two ministries, after which the programme was under the administration of the Ministry of Finance.

28. Component 1: Development of member-based financial institutions. This component aimed to improving the capacity of financial institutions (e.g. financial cooperatives, RSCGs, informal financial cooperatives) which provided pro-poor services in rural areas, and increasing transactions within these groups and with the banking sector. Various activities were included under this component, such as developing new systems and approaches, financial products and services, providing training, and creating new financial cooperatives and groups.

29. The PCR reported nine indicators for this component, of which only four included targets at appraisal. These were: (i) people who have received project services (49,044 against a target of 45,000); (ii) households receiving project services (49,055 against a target of 43,000); (iii) number of groups supported (631 against a target of 380) and (iv) membership (9,811 against a target of 7,400). The targets for the remaining five indicators were set up during the mid-term review (MTR), of which three indicators exceeded the MTR targets by 8 per cent (number of savers), 110 per cent (active borrowers/number of loans outstanding), and 39 per cent (value of loans outstanding).

30. Component 2: Development of formal financial institutions for rural outreach. At appraisal, this component would receive the largest portion of financing support from the RUFIP (US$3.6 million, or 33.6 per cent of total programme cost). It aimed at improving the access of the economically active poor population to financial services (particularly credit) initially to be provided by commercial banks. This component was supported through capacity-building of the Lesotho Post Bank and enhancing the Credit Guarantee Fund (CGF) to create linkages between commercial banks and MFBIs. Various activities were planned to support the Lesotho Post Bank, which included: (i) supporting the bank to obtain a full banking license; (ii) preparing a lending strategy; (iii) procuring and installing a credit module (Flexi Cube) to its existing computer software; (iv) introducing broader financial products predominantly geared at reaching rural clients; and (v) improving capacity of senior management and staff as well as enhancing internal control mechanisms. For the linkage subcomponent, it was planned that the programme would assist the Central Bank of Lesotho to review and revise the operational modality of the CGF in order to increase its impact on linking promising financial groups with interested commercial banks. Compared with the budget allocated to capacity-building of the Lesotho Post Bank (US$3.5 million), funding committed for the linkage sub-component was minor (US$0.08 million).

Table 3
Summary of main outputs under Component Two

No.	*Outcome indicator*	*Implementation status*
Output 2.1	Developing sustainable access to pro-poor financial credit and savings services for individuals and MBFIs in rural areas through the Lesotho Post Bank	Not materialized
Output 2.2	The Lesotho Post Bank was to receive its full banking license	Materialized
Output 2.3	The CGF was to guarantee 50 MBFI loans provided by commercial banks, with a loss ratio of less than 3 per cent.	Not materialized

31. Component 3: Development of an enabling environment. The aim of this component was to establish a sound enabling environment in which sustainable and efficient rural microfinance services would be provided. It involved two levels of interventions: (a) capacity-building for the implementing agencies (Central Bank of Lesotho, Department of Cooperatives, service providers); and (b) dialogue with concerned policymakers and key stakeholders on conducive framework conditions. Developing an enabling environment by the Central Bank of Lesotho was to include a policy and regulatory framework for a large and diverse sector of non-banking

financial institutions. No output targets were specified in the revised post-MTR logframe to measure Component Three.

Key points

- RUFIP was designed at the request of the Government to improve the weak linkage between the rural poor and financial institutions. The programme aimed to enhance access by the rural poor to efficient financial services on a sustainable basis in Lesotho.
- The programme become effective in March 2008 and was completed in March 2015 without extensions.
- The programme had a national scope covering all ten districts within the country. At appraisal, about 144,000 households (about 720,000 people) were identified as the primary target group.
- Many activities did not include targets at appraisal or in the annual work plan and budget. Some targets related to the number of active borrowers in the saving groups, and the value of loans outstanding were met or exceeded. The targets for indicators in relation to group loans issued by the Lesotho Post Bank were not met.

III. Main evaluation findings

A. Programme performance and rural poverty impact

Relevance

32. Relevance of objectives. The programme's objective to "enhance access of the rural poor to efficient financial services on a sustainable basis" was in alignment with the overall objectives and priorities of the Government, as stipulated in its Poverty Reduction Strategy (2004/2005 – 2006/2007). Since then, access to financial services was increasingly recognized by the Government as a key component for rural development. The emphases of the Poverty Reduction Strategy were on financial inclusion, market-driven financial sector development, and a conducive regulatory environment.[42]

33. On the side of IFAD, the programme objective was in line with IFAD Strategic Framework (2007 – 2010), in which supporting the vibrant rural finance sector and enhancing the capacity and organization of poor rural people to access rural finance and microfinance services were identified as IFAD's priorities for its intervention approaches. The development of sustainable rural financial services was also at the centre of IFAD's Rural Finance Policy (2000, revised 2009), and further detailed in the IFAD Decision Tools for Rural Finance (2010), which emphasized the importance of establishing an appropriate policy, regulatory and supervisory framework.

34. Relevance of the design. The main pillars of RUFIP were: (i) establishing MBFIs; (ii) transforming Lesotho Post Bank into a professionally managed financial intermediary and a key player in linkages; (iii) linking formal and informal financial institutions; and (iv) supporting the Government and Central Bank of Lesotho in formulating regulations and policies to encourage sustainable inclusive financial services. Overall, these elements comprehensively covered all the key areas in supporting rural finance and microfinance in developing countries like Lesotho from micro-, meso- and macro-levels. However, there were some weaknesses in the initial programme design, as highlighted below.

35. The programme's support at the grassroots level, namely the development of MBFIs (Component One), was to respond to the demand of the rural poor for facilities for accumulating and safekeeping their small savings and providing small loans for income smoothing and income-generating activities. However, the design did not sufficiently take into consideration the lessons generated by a predecessor project in Lesotho, the Rural Finance & Enterprise Support Project (RF&ESP) 1993-2001, that supporting the promotion of savings and credit groups and income-generating activities by government agencies might not be a promising approach. Nevertheless, the programme design adopted an approach of heavily relying on government agencies such as the DOC and MAFS for the mobilization of savings groups. The appraisal proposed to continue to promote RSCGs and assist in linking them with commercial banks, although this had failed in the previous project. Another reflection of the design flaw on selecting implementing agencies was the failure to engage early on two INGOs with wide experience as implementing partners to build other types of self-reliant saving groups such as VSLAs and SILCs, adopted only later in the programme.

36. A Rural Credit Guarantee Fund has been the main instrument of the Central Bank of Lesotho to encourage commercial banks to lend to RSCGs, but with "modest impact" according to design. In actual fact, the CGF had failed completely in the previous IFAD-financed RF&ESP. Nevertheless, in response to requests by the Central Bank of Lesotho, the design suggested "to review and revise the

[42] It combines three related approaches: (i) employment creation through a conducive operating environment facilitating private sector-led economic growth; (ii) poverty-targeted programmes empowering the poor and vulnerable to access income-generating opportunities; and (iii) ensuring policy and legal framework support and public productivity improvements.

operational modalities of the Fund", failing to note the overall lack of interest of banks in lending to groups. It was based on the assumption that the Central Bank of Lesotho would continue its commitment to back up commercial bank loans to RSCGs through the CGF, as indicated at appraisal stage. This assumption proved to be invalid, as in late 2008 the Central Bank of Lesotho decided to phase out the operations of the CGF by 2010.[43] The relevance of this subcomponent is very low.

37. The focus of the programme on developing formal financial institutions for rural outreach (Component Two) was on the newly established Lesotho Post Bank, not on other commercial banks. The selection of Lesotho Post Bank as the key financial institution was based on the lessons from the FS&ESP in which the commercial banks had withdrawn their commitment of US$1.59 million for refinancing RSCGs. Given the reduced interest of commercial banks during implementation,[44] this left the government-owned Lesotho Post Bank, with a mandate of financial inclusion, as the only prospective banking partner. In light of the experience of numerous postal and agricultural banks in Africa (including the Lesotho Agricultural Bank, which was closed in 2000), this was hardly a relevant design at that time. Finding an approach for Lesotho Post Bank to serve an inclusive market might have been considered relevant at design on principle, but hardly after the prior negative experience of RF&ESP and within the limited programme implementation timeframe. The expectation of linking a yet-to-be-transformed postal bank within a short time span with credit to MBFIs, particularly financial cooperatives and RSCGs, bore little promise.[45] It was further noted that neither Lesotho Post Bank nor Standard Lesotho Bank expressed a keen interest in group lending to MBFIs in the foreseeable future, in contradiction to the programme assumption.

38. Improving access of rural poor to financial services requires a systemic approach, including the establishment of an appropriate policy, regulatory and supervisory framework to secure the benefits of the poor. In this regard, the inclusion of the development of an enabling environment for rural and micro finance was an appropriate direction which was expected to facilitate the development of a sound rural finance sector in the country at the macro level. However, the programme design did not sufficiently consider the complexities in the programme context and proved to be over-optimistic.

39. Relevance of targeting approach. According to the design, the programme would have a national scope, with field-level interventions in particular geographical areas. Design struggled with two target groups. The first focused on MBFIs and their members in particular geographical areas, defining the target groups primarily as poor rural households in the second (poor) and third (less poor) income quintiles, and with actual or potential capacity to generate income through economic activities (on- or off-farm), allowing for participation in MBFIs (RSCGs, financial cooperatives) and fulfilment of membership obligations. The second pertained to the potential customers of a yet-to-be-transformed postal bank, Lesotho Post Bank, both at national level and in selected branches, including Leribe, Maseru and Quthing.

40. The PPE found the primary target group to be relevant and realistic, given that these people are in the second and third poverty quintiles, which, compared with the poorest people living in the first quintile, would be able to afford the monetary entry and membership obligations of these informal financial groups. The relevance of targeting the enterprising rural poor through RSCGs and financial cooperatives at design was very low. Both RSCGs (established under RF&ESP 1995-2002) and

[43] RUFIP, second supervision mission (2-13 November 2009), Aide-Memoire.
[44] According to the Appraisal Report, there was at least one commercial bank that had expressed interest in participating in the programme.
[45] The prerequisites of successful savings and credit linkages, realized in less than two years, had been demonstrated by a pilot from Indonesia and in subsequent projects: (i) pre-existing effective banks; (ii) functioning self-help groups; and (iii) supportive NGOs operating in rural areas. There is no experience with simultaneously establishing self-help groups and banks for linkages.

financial cooperatives had a poor performance record and very limited outreach, hampered, among other factors, by harsh economic conditions in rural Lesotho. Lesotho Post Bank was just starting operations as a savings bank, with potentially universal outreach. The design aimed to transform Lesotho Post Bank into a commercial bank with credit services, "gradually expand(ing) its services and frontiers without endangering viability and profitability". While the timing was uncertain, outreach to IFAD's target group was most unlikely within a foreseeable future, given its very limited economic potential.[46] The project approach gained in relevance by including NGOs as implementing partners, with wide experience as facilitators of savings groups (mostly of women) in other African countries. Yet credit linkages were beyond what could be reasonably expected during the project.

41. The overall relevance of the design of RUFIP was mixed: the relevance of institution building as addressed by RUFIP was relatively high; its relevance as an integrated and cohesive project was relatively low. However, recognizing that a project does not end with its completion but might enter into a phase of self-reliant sustainability may yield yet another perspective. In this vein, relevance may be seen in terms of separate and possibly unrelated endeavors and the building of foundations for financial inclusion beyond the timeframe of the project. These foundations comprise: (a) establishing self-reliant MBFIs; (b) transforming a postal bank into a provider of inclusive financial services; and (c) creating a policy and regulatory framework for non-banking financial institutions. These foundations are ends in themselves within the realm of inclusive finance. Whether or not they might eventually lead to the facilitation of linkages of banks and non-banks with MBFIs would be a secondary concern. There were also issues in relation to the appropriateness of the selection of implementing partners for promoting MBFIs, which, though flagged in RF&ESP, were not adequately assessed at design. Overall, based on the relevance of the programme objectives as well as considering the notable shortcomings of the design, relevance is rated moderately unsatisfactory (3).

Effectiveness

42. Programme effectiveness is assessed by examining to what extent the intended programme objectives were achieved at the time of the PPE. The assessment in this section takes the objective of RUFIP and the expected outcomes corresponding to each programme component as bases.

(i) Expected outcome 1: member-based financial institutions strengthened to provide efficient services to their members in rural and peri-urban areas

43. RUFIP promoted three types of MBFIs, initially financial cooperatives[47] and RSCGS (initiated under RF&ESP), followed by VSLAs/SILCs facilitated by CARE and CRS. Available outcome data show that the expected growth in the number and outreach of financial cooperatives and RSCGs was not met. Of the 75-90 smaller and larger financial cooperatives existing at design, only 45 smaller cooperatives (averaging of 25 members) were reached (excluding urban and larger ones), with overall 1,125 members. Of 130 RSCGs remaining after the completion of RF&ESP, only 42 groups with a total of 699 members (averaging of 17 members) were reached by RUFIP (see table 4).

[46] Design skepticism is expressed in the Appraisal Report: "It is of utmost importance that support to the Lesotho Post Bank and MBFIs is coordinated to maximize synergy effects. Most of the field-level programme interventions would thus commence in geographical areas with relatively high potential… This strategic and focused approach is critical for Lesotho Post Bank's sustainability and member-based financial groups and linking them to the formal sector."
[47] In some cases, it is known as Savings and Credit Cooperatives (SACCOs).

Table 4
MBFIs – Number of groups and members under RUFIP, March 2015

Type	*Groups*	*Members*	*Average*	*Household members*
FC*	45	1 125	25.0	5 625
RSCG	42	699	16.6	3 495
SILC	299	4 035	13.5	20 175
VSLA	253	4 180	16.5	20 900
Total	639	10 039	15.7	50 195

* FC=financial cooperatives. Adjusted by DOC upwards from 40 during the PPE mission in March 2017.

44. Financial cooperatives under the supervision of the DOC were mostly small and weak and did not have a functioning reporting system. The political will for transforming financial cooperatives had been missing during the design and was still not evident after the promulgation of the 2013 Amended Cooperatives Societies Act. At completion, there were in total 45 financial cooperatives in all districts (Berea: 6; Leribe: 11; Maseru: 18; Quthing: 10). RSCGs were under the MAFS, with a generally less challenging and more timely performance (according to the PCR). A total of 130 groups with 1430 members (averaging 11 members per group) had survived by 2005 after the closing of RF&ESP, as noted by appraisal. At completion, the number of RSCGs covered by RUFIP stood at 42, with 699 members in total.

45. Other types of savings groups (VSLAs, SILCs). As implementation started in 2008, it was soon realized that financial cooperatives and RSCG growth would be challenging. RUFIP explored other options by involving two INGOs – CARE and CRS, promoters of VSLAs and SILCs, respectively[48] – in the programme as implementing agencies. Once contracted in late 2010, these two INGOs largely met output targets on a timely basis and with the quality demanded, and had commendable outcome achievements. However, effectiveness was hampered by the delay in re-contracting them (two years after the initial proposal on rec-contracting them had been made). The contracts were finally signed in July 2013, enabling CRS and CARE to train/retrain group facilitators and place them in the field by November 2013, leaving little over one year until project completion. In November 2014, an extension plan and a budget proposal were submitted for March to September 2015; they were rejected in February 2015 due to lack of time and budget. Despite short, disjointed contract periods, VSLAs and SILCs met 85 per cent and 80 per cent of targeted group formation goals, respectively, and 76 per cent and 90 per cent of membership growth. The delays related to the re-contracting of the INGOs caused a loss of an estimated 691 groups: 120 groups established pre-MTR and 571 groups in the contract interim period, which was more than the total number of groups covered by the project.[49] Given the rapid expansion of groups under CRS during 2015-2017, the loss of groups under RUFIP was in fact considerably higher than calculated by the PCR (see section on scaling up).

46. Overall, the programme reached 639 MBFIs[50] with 10,039 members;[51] assuming an average household size of five, this corresponds to a total of 50,195 household members (see table 5 below). INGOs as facilitators accounted for 86 per cent of the groups and 82 per cent of the members under RUFIP. Without the re-contracting delays, the project would have reached a total of 1330 groups.

[48] More recently, it was referred to internationally as Savings Groups, together with similar groups by other INGOs.
[49] See PCR appendix 14.
[50] CRS reports that 225 out of 297 groups formed engaged in savings and lending (CRS Report 2015, p. ii).
[51] According to PCR appendix. 11: 631 groups with 9,811 members, corrected by implementing partners during PPE to 639 groups and 10,039 members.

47. It was reported that total group savings of LSL 3.33 million and loans of LSL 7.24 million of 531 groups (updated to 639 at PPE) were mobilized. Loans exceeded savings by 117 per cent. There was no explanation in relation to the origin of loan funds of financial cooperatives and RSCGs, which exceeded savings by a wide margin. Loans of SILCs and VSLAs were financed from savings and revenue generated by loans and do not exceed these resources.

Table 5
Savings and loans of MBFIs under RUFIP, March 2015

Type	*Groups*	*Savings LSL*	*Loans LSL*
FCs	40	757 447	4 459 605
RSCGs	42	116 545	445 062
SILC - CRS	299	944 680	1 052 139
VSLA - CARE	250*)	1 514 355	1 281 754
TOTAL	631	3 333 027	7 238 560

Source: RUFIP Project Completion Report, 2015.

(ii) Expected outcome 2: Rural outreach of formal financial institutions expanded

48. The inclusion of Lesotho Post Bank in the RUFIP was based on the assumption that within a few years after its establishment, Lesotho Post Bank would be transformed into a sustainable, commercially operating retail bank with credit outreach in urban and rural areas, with the ultimate objective of entering into linkages with mostly informal MBFIs in rural areas, where economic opportunities are limited.

49. Financial data Lesotho Post Bank 2006-2015 show the effectiveness of RUFIP's intervention. With the support of RUFIP, Lesotho Post Bank obtained the full banking license in 2010. This was the first year of lending operations as indicated on the balance sheet (table 6, figure 1), with loans outstanding amounting to 2.6 per cent of total assets. Until 2013, that percentage remained modest, below 10 per cent. In 2014, when the new credit programme was launched, the share of loans outstanding surged to 33.7 per cent; in 2015, it climbed to 36.2 per cent. In terms of profitability, Lesotho Post Bank had been loss-making until 2013, with the losses covered by the Government. The return on average assets (ROAA) was first calculated in 2007, when the bank took a substantial loss indicated by a ROAA of -11.17 per cent in terms of average assets. The ratio declined slowly, oscillating between -7.7 per cent and -9.38 per cent in 2008 and 2009, respectively, without a clear trend. The first effects of IFAD's intervention appeared between 2010 and 2013, when the loss ratio gradually and steadily fell from -4.88 per cent to -3.23 per cent. The breakthrough came in 2014, the year of publicly launching the new credit programme on a broad scale,[52] resulting in a surge of new loans outstanding. In that year, the bank turned its first profit, with a ROAA before tax of 2.35 per cent. In 2015, the ratio climbed to an impressive 4.18 per cent.

[52] Between 2010 and 2013, loans were largely limited to staff and public servants.

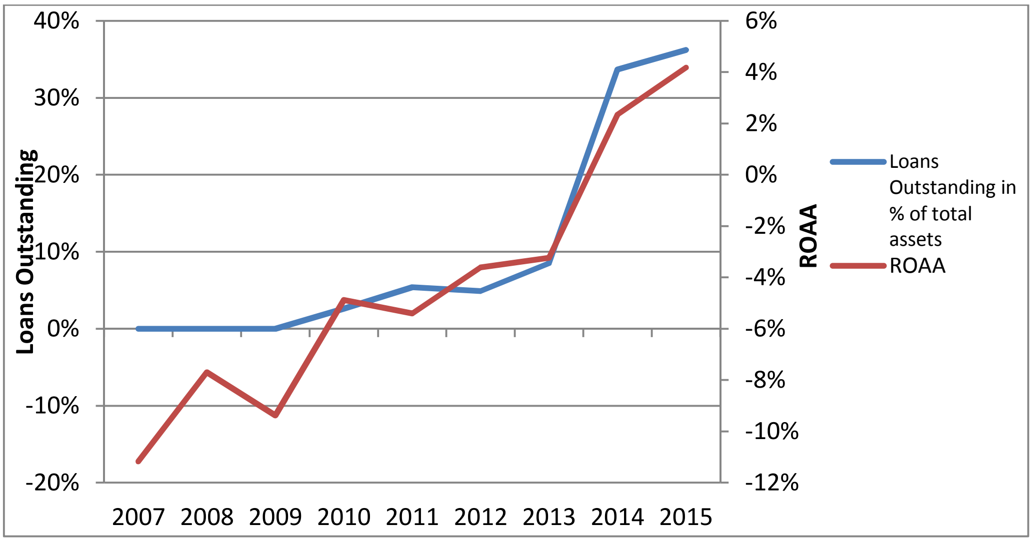
Table 6
Financial data of Lesotho Post Bank, 2006-2016, LSL million

Year	*Total assets*	*Loans outstanding* Amount	*Loans outstanding* Per cent*	*Deposits* Amount	*Deposits* Per cent*	*ROAA in %*
2006	74.42	-	-	59.90	80.5	n.a.
2007	121.33	-	-	100.31	82.7	-11.17
2008	163.65	-	-	136.83	83.6	-7.70
2009	220.01	-	-	189.85	86.3	-9.38
2010	253.19	6.53	2.6	223.06	88.1	-4.88
2011	267.48	14.48	5.4	228.72	85.5	-3.93
2012	288.72	14.24	4.9	245.79	85.1	-3.61
2013	320.60	27.16	8.5	272.50	85.0	-3.23
2014	388.22	130.71	33.7	286.01	73.7	2.35
2015	444.89	160.90	36.2	297.55	66.9	4.18
2016	808.50	226.70	28.0	588.83	72.8	1.02

* In per cent of total assets or capital and liabilities, respectively.
Source: Lesotho Post Bank.

50. Figure 1 shows how the loss ratio of Lesotho Post Bank, expressed in terms of ROAA, goes down to zero between 2007 and 2013, although not in a straight line, crossing the profitability threshold in 2014 in a surge and continuing into 2015. Loans outstanding, the engine of profitability, in per cent of total as assets remain on the zero per cent line until 2009. They gradually go up until 2013, surging, in parallel with ROAA, to unprecedented heights in 2014 and 2015.

Figure 1
ROAA and loans outstanding in per cent of total assets of Lesotho Post Bank, 2007-2015



Source: The figure was developed by the PPE team based on data provided by the Lesotho Post Bank.

51. Deposit outreach. Historical data on deposit outreach in terms of deposit balances are given in table 7. However, corresponding data on the number of accounts are not available.[53] In February 2017, the total number of deposit accounts at Lesotho Post Bank was 87,567. For a recently established bank operating under considerable competition and the small size of the country, this appears as an

[53] Estimates on deposit amounts in early 2015 reported by the PCR disagree with average annual balance sheet data by a wide margin.

impressive achievement. However, no breakdown of the deposit accounts is available by district or for urban and rural areas. There are also no data on the number of loans granted annually since 2010, the starting year of lending (initially to civil servants).

52. The amount of deposits as of February 2017 was LSL 648.21 million. A total of 91.4 per cent of the accounts were savings deposits and 8.6 per cent fixed deposits. In terms of amounts, 84.7 per cent were placed in savings accounts and 15.3 per cent in fixed deposit accounts. The average amount of deposits in all accounts was LSL 7,402, in savings accounts LSL 6,875, and in fixed deposit accounts LSL 17,402. A total of 68 per cent of all deposits are in the district of Maseru; and 32 per cent are in rural districts outside of Maseru (see table 7). No breakdown of the deposits is available by district or for urban and rural areas. The project design did not provide estimates of the expected number of rural households that would benefit from improved access to deposit facilities offered by Lesotho Post Bank.

Table 7
Lesotho Post Bank – Number of deposit accounts and amounts, February 2017

Deposits	*Number of accounts*	*Amount in LSL million*
Savings accounts	82 372	566.27
Fixed deposits	5 195	91.94
Total deposits	87 567	648.21
Percentage of deposits outside Maseru: 32%		

Source: Lesotho Post Bank, March 2017.

53. Credit outreach. Historical data on credit outreach in terms of amount are provided in table 6 above. Similar to the saving accounts, corresponding data on the number of loan accounts are not available. In early 2015, the PCR mission received data from Lesotho Post Bank on loan amounts outstanding of LSL 132.6 million (which matches with balance sheet data) by a total of 4,458 borrowers, averaging LSL 29,751, a multiple of the average amount of MBFI loans to members (LSL 1,652).[54] At the time of the PPE mission, no breakdown was available by district for urban and rural areas. There are also no data on the number of loans granted annually since 2010, the starting year of lending (initially to civil servants).

54. Financial linkages.[55] The PCR erroneously reported 14 group loans valued LSL 531,834[56] provided by Lesotho Post Bank, against an AWP&B of 2,674 group loans valued at LSL 15 million. However, the PPE found these data misleading as the borrowers of these 14 group loans were burial societies and other types of groups which were not under RUFIP. The PPE did not obtain any data/information on group loans.[57] CRS reported that groups were trained, went through their first

[54] At appraisal, it was speculated that Lesotho Post Bank would provide 16,250 loans to civil servants, at high interest rates. The appraisal report argued that the high interest earned on transactions of this non-target group population is indispensable for Lesotho Post Bank to make sufficient profits to internally cross-subsidize the much more expensive transactions in remote rural areas. Design made an error of judgement, assuming that Lesotho Post Bank would be authorized to provide loans starting during the first year of RUFIP. On that basis, it speculated that there would be almost 27,000 loans over the seven-year implementation period, including 3000 group loans on-lent to 5-10 individual sub-borrowers (amounting to about 22,500 sub-borrowers, which did not materialize), amounting to a total of almost 40,000 at a total incremental value of about US$ 45 million over the seven-year period.

[55] Financial linkage could be defined as any mutually beneficial partnership between a formal and a less formal institution that results in the expansion of rural financial services. This "expansion" does not just refer to reaching more of the same clients, but strives to provide access to previously unserved segments of the rural population or to broaden the variety or improve the quality of financial products and services. Maria Pagura and Marié Kirsten. 2006. Formal – Informal Financial Linkages: Lessons from Developing Countries.

[56] At an average of LSL 38,000 = US$ 3,040.

[57] Lesotho Post Bank offers a *Micro-Finance Group Lending* product on its website, "aimed at financing Basotho's income-generating projects at their communities as a group", but this had not yet been rolled out as of March 2017. Lesotho Post Bank also offers a *Mokolokotoane (Stokvel) Account:* "an investment product for small and large groups where you can save excess funds or build an investment wealth through monthly deposits [with] instant access to its

cycle and were ready for linkages. Despite these efforts, credit linkages with Lesotho Post Bank did not materialize during the project period, or during the subsequent two years up to the PPE.

55. At completion, it was reported by PCR that 45 MBFI savings accounts had been established in Lesotho Post Bank. There was no record of how many of these accounts were active and how many were dormant due to unattractive conditions. At PPE in March 2017, Care for Basotho recorded 65 savings accounts of VSLAs and 87 accounts of members with Lesotho Post Bank. Some SILCs reportedly initiated savings linkages with Lesotho Post Bank for safekeeping of funds threatened by theft. Confirmed by discussions with groups during the mission, both groups and individuals found the terms of savings deposits in Lesotho Post Bank unattractive, especially due to low interest rates and high account charges. Consequently, many of the accounts are dormant. Some members opened mobile money accounts with mobile network operators, facilitated by meetings between Econet Telecom Lesotho and SILCs organized by CRS and CARE for Basotho.

56. At the beginning of the programme, consultations also took place with two commercial banks (Standard Lesotho Bank and Nedbank) on the possible areas of collaboration in improving access of the rural poor to financial services.[58] However, the intention to facilitate the rural outreach of these two commercial banks did not materialize within RUFIP period.

(iii) Expected outcome 3: Conducive environment and institutional framework for promoting inclusive financial services developed

57. The primary outputs for this component were the enactment of a non-bank financial institution[59] policy and regulatory framework as part of the Financial Institutions Act (2012), and the development of the supervisory capacity of the Central Bank of Lesotho, although late in the project.

58. In developing a policy and regulation on non-banking financial institutions (NBFIs) and training the Central Bank of Lesotho on the supervisory framework on NBFIs, the Central Bank of Lesotho was supported by the World Bank-sponsored First Initiative through a project named Development of Non-bank Financial Institutions' Regulation and Supervision in Lesotho (DNRS). As these activities were originally under Component Three of RUFIP, it was agreed that the funds allocated to these activities would be suspended until the completion of the DNRS.[60]

59. The Financial Institutions Act (FIA) was enacted in February 2012, but had to be resubmitted to the Law Office of the Government of Lesotho. It was finally approved in late 2014 and implemented when RUFIP was phased out. According to the PCR, the development of the NBFI policy had no impact on clients during the lifespan of the project, nor was there any such evidence at the time of the PPE.

60. In the context of the NBFIs' regulation, the DOC independently drafted a Financial Cooperatives Policy in October 2009. In response to a critical assessment by RUFIP, the DOC worked closely with the staff of the Central Bank of Lesotho, reached an agreement on supervision of large cooperatives (under Central Bank of Lesotho) and small cooperatives (under DOC), and with inputs by a consultant provided by the United Nations Department of Economic and Social Affairs, the Cooperatives Societies Act with the proposed amendments was passed into law on 17 November 2013. This provided the legal framework for oversight of financial cooperatives by the DOC; but this has yet to be fully implemented. The PCR noted

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funds… suitable for groups who save for a specific goal, as well as wealth creation. A minimum initial deposit of Maloti 1000 is required to open the account". No data on outreach are available.

[58] RUFIP, Quarterly Report, April – September 2008.

[59] Broadly defined, the non-banking financial institution]sector in Lesotho comprises some 75-90 financial cooperatives, 130 RSCGs, licensed and numerous unlicensed money-lenders and large numbers of mostly informal savings & credit groups and insurance groups or associations.

[60] RUFIP, Implementation Support Mission, 29 November – 10 December 2010. Aide-Mémoire.

at completion that there was no substantial effect on sector development. At the time of the PPE mission, the Central Bank of Lesotho had not been able to move forward to have effective control over large financial cooperatives (e.g. Boliba), nor was there any evidence of effective oversight of smaller ones by the DOC. Overall, the effectiveness of RUFIP's direct contribution to this component was low.

61. *Effectiveness of targeting approach*. Geographically speaking, the majority of beneficiaries were located in five out of the ten administrative districts where the MBFI groups were established: Mhoale's Hoek (42 per cent); Quthing (19 per cent); Leribe (16 per cent); Maseru (13 per cent) and Berea (11 per cent). As indicated in table 1, these five districts covered approximately 69 per cent of the total population, with the incidence of poverty ranging from 36.88 per cent (Maseru) to 63.93 per cent (Quthing). The PCR reported that about 54,300 household members were reached by 631 MBFIs established during the implementation of RUFIP. Due to the shortage of data, it is difficult to estimate how many people among the reached household members were from the primary target group.

Programme objective: enhancing access of the rural poor to efficient financial services on a sustainable basis

62. Linkages of Lesotho Post Bank with MBFIs, a key dimension of the objective according to design, have not evolved. This is only partly due to the various delays that enabled the bank to become profitable only the year before completion.[61] There are two corresponding factors that stood in the way of linkages. The first refers to savings linkages, the initial step in linkage banking. Neither the groups nor the members have found savings accounts an attractive proposition (see above). Bank deposits are costly, and the members find flexible monthly savings close to their doorstep. They also fine access to small short-term loans and, in the case of VSLAs and SILCs, annual share-outs of the accumulated funds for larger investments and other expenditures, far more convenient and useful. With further growth of lending outreach and profits, and with increasing competition for deposits, Lesotho Post Bank may in due course improve its terms and conditions for savers.

63. As for credit linkages, while there is a latent demand for larger loans, potential borrowers invariably face constraints of market access: an impediment not only for group members, but equally for the bank. In this situation, individual loans to small and medium-sized enterprise without involvement of groups are more feasible for the bank. For the time being, the bank considers solidarity group lending to small ad-hoc groups with joint liability a more appropriate product, as practiced widely in the region by microfinance institutions as well as banks. Expecting credit linkages with MBFIs on a broad scale in Lesotho was an error of judgment at the time of design, ignoring the conditions under which such linkages emerged and flourished in a number of Asian countries since the late 1980s.

64. Overall, the PPE observed some positive achievements in achieving the project objective, especially on the capacity-building of Lesotho Post Bank. The project procured the required Management Information System, and Lesotho Post Bank developed basic inclusive credit products. CARE and CRS contributed a viable and dynamic MBFI model. A long-term technical advisor was assigned to Lesotho Post Bank, albeit through the project Support Financial Inclusion in Lesotho.[62] Ultimately, Lesotho Post Bank did receive its commercial banking license in 2009 (which took other postal banks far longer) and rolled out credit in 2014 on an unprecedented broad scale. What was not apparent at completion was that in 2014, and subsequently in 2015, Lesotho Post Bank had turned from a loss-making to a profitable bank: a crucial achievement and presumably a prerequisite for future linkages with low-income groups. This is more than what could have been expected,

[61] In fact, profitability based on audited financial reports was only published in March 2015.
[62] A project co-funded by UNDP and UNCDF in Lesotho.

given the considerable administrative obstacles at government and IFAD levels to simultaneously developing MBFIs on a broad scale and in parallel transforming a state-owned financial institution into a sustainable retail bank with rural outreach.

65. However, achievements in other components have not been attained in a satisfactory manner. A linkage sub-component was not included in the Partial Credit Guarantee Fund; and at the time of project completion, no MBFI had been supported by that Fund. Overall, available data on project outputs demonstrated that the expected linkage between the primary target group and Lesotho Post Bank has not been effectively established. Based on the above assessment, the effectiveness is rated as moderately unsatisfactory (3).

Efficiency

66. Implementation efficiency. The project came into force in March 2008, approximately seven months after its approval by the Executive Board in September 2007. This was shorter than the average loan effectiveness lag for IFAD-financed projects in Lesotho (8.7 months) and much shorter than that of IFAD-supported projects in East and Southern Africa (ESA) (19.15 months) approved between 2000 and 2008 (see table 8). The project was completed in March 2015 without an extension.

Table 8
Comparison of RUFIP timeline and other projects

	Approval	*Signing*	*Effectiveness*	*Approval-signing (months)*	*Signing-effectiveness (months)*	*Approval-effectiveness (months)*
RUFIP	12/09/2007	08/10/2007	31/03/2008	0.87	5.83	6.70
Lesotho average*	N.A.	N.A.	N.A.	1.32	8.70	10.02
ESA average*	N.A.	N.A.	N.A.	5.08	19.15	24.23

Source: IFAD database system (GRIPS).
*Projects approved from 2000-2008.

67. The project implementation experienced a slow start-up mainly due to the inadequate preparedness of the PCU, including the lack of familiarity with IFAD's procedures, poor financial management and inappropriate staffing. The implementation of the AWPB for the first three years (2009 – 2011) was slow, with actual expenditures amounting to just over 62 per cent of the approved AWPB, with the exception of the actual expenditure for Component Four, which exceeded the budget ceiling by 108 per cent. As a result of poor budget planning and management, until February 2015, one month before the project completion, US$806,000 had still not been spent, and consequently US$620,000 was planned to be utilized within one month for February to March 2015, which posed questions on the quality of results and outcomes.[63]

68. Many factors hampered the performance of the AWPB, of which the most critical issues could be identified as: (i) the continuous low financial management capacity in the PCU; and (ii) the poor performance of government implementing agencies. As noted and flagged by supervision and implementation support missions, the financial management capacity in the PCU was far below expectations, and as a result adequate budget monitoring and control were never established. The inability to provide accurate data on actual expenditure for each project activity resulted in difficulties for both the PCU and IFAD to establish a feasible and sound AWPB in a timely manner. The performance of government implementing agencies was poor, in particular of DOC, which, as noted by the MTR, had problems to accurately account for the number of groups, memberships and other performance parameters.

[63] RUFIP. 2015 Supervision Report.

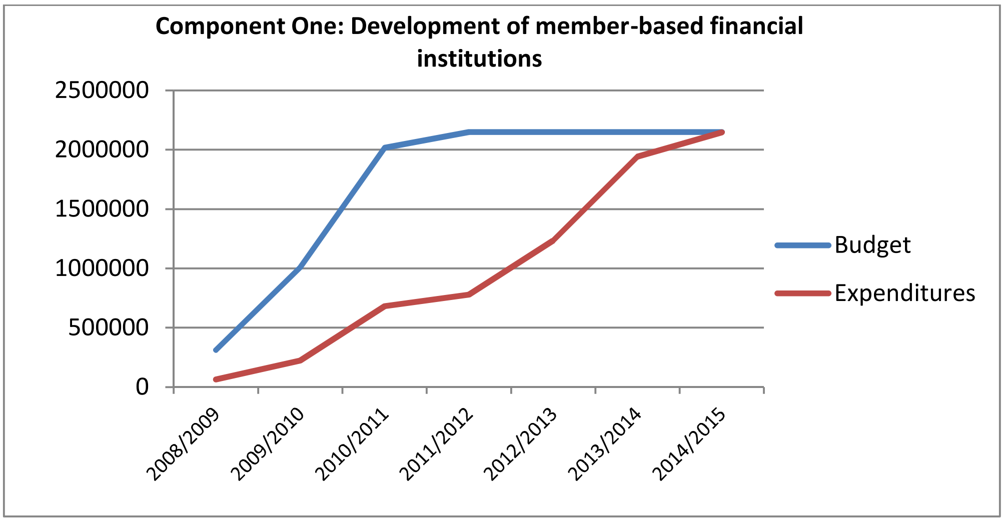
69. Procurement inefficiency was highly perceived throughout the life of the project and had a negative impact on RUFIP's implementation. Initially, the responsibility for procurement was placed in the Ministry of Finance, which struggled with the difficulties in aligning procurement processes with IFAD requirements. The change made on procurement to replace the responsibility to PCU with the recruitment of a full-time procurement officer was a positive improvement but did not contribute to the project efficiency as expected. In particular, the long delay in procuring the Flexcube credit module (over 17 months) seriously affected Lesotho Post Bank's lending portfolio. The absence of mutual understanding and smooth communication between IFAD and project stakeholders (e.g. Lesotho Post Bank) was reported by the PCR as another issue which delayed the procurement process.

70. Disbursement. At project completion, RUFIP disbursed a total of LSL 61.4 million of IFAD funds, accounting for 86 per cent of the approved total. However, disbursement rates for the key project components were problematic, especially for Components One and Three (see figures 2 and 3). A large portion of expenditure occurred under the project management and monitoring component (32.9 per cent), which reflected the very low level of managerial efficiency, considering that many key project outputs were not achieved (see section on project management cost below).

71. The actual disbursement rate for Component One was 34.1 per cent of the total project expenditure, which was higher than the appraisal target of 20 per cent. However, figure 2 below illustrates the divergence between AWPB targets and actual disbursements, in particular between 2009/2010 and 2013/2014. The slow disbursement rates during this period were mainly influenced by the suspension of funds to Lesotho Post Bank for 18 months since August 2012, as well as the delay in re-contracting CARE and CRS between 2011 and 2013.

Figure 2

Comparison of AWPB targets and actual disbursement (Component One), 2008 – 2015



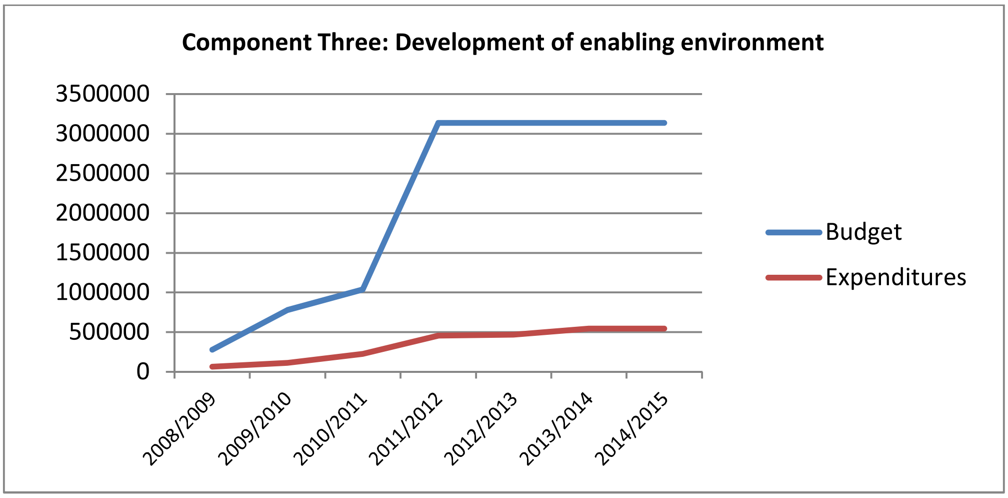
Source: IFAD Flexcube data.

72. Disbursement performance for Component Three was the poorest among the four components. As shown in table 2 (page 7 above), the actual expenditures for this component only amounted to LSL 14.25 million, or 12.8 per cent of total expenditure, which was less than half of the estimated percentage (29.4), but higher than the revised post-MTR budget target (8.2). The low disbursement rate compared to appraisal target can partially be explained by the fact that the capacity-building of Central Bank of Lesotho, which was budgeted under this component, was actually financed by the World Bank-sponsored First Initiative

Disbursement rates for Components Two and Four were 50 per cent and 104 per cent, respectively.

Figure 3

Comparison of AWPB targets and actual disbursement (Component Three), 2008 – 2015



Source: IFAD Flexcube data.

73. Project management cost ratio. As recalculated by the PPE,[64] the actual expenditure on project management and monitoring (Component Four) was LSL 36.69 million, accounting for 32.9 per cent of the total project expenditure, which almost doubled as compared to the 17 per cent approved in the President's Report and also higher than the post-MTR target (28.9 per cent). This figure is much higher than the average ratio of project management costs in other IFAD-financed projects (10 per cent).[65] The MTR reported that in 2011, three years after the project became effective, the budget allocated for programme management had been exceeded by 10 per cent.

74. The PCR justified the high project management cost ratio with three arguments: (i) overspending due to the recruitment of additional staff (a full-time procurement officer and financial management staff) and the delivery of considerable technical assistance, which were not included in the budget plan at appraisal; (ii) major cost savings due to the financial support of a project supported by UNDP/United Nations Capital Fund (UNCDF) (i.e. Support to Financial Inclusion in Lesotho) which provided US$720,000 to finance a Chief Technical Advisor for the PCU, and the First Initiative, which absorbed the expenses on capacity-building of Central Bank of Lesotho; and (iii) savings related to the suspension of funds to Lesotho Post Bank and DOC.

75. However, the PPE found these justifications unconvincing. At appraisal, the target for project management costs was set at 17 per cent of the total project cost, which was already much higher than the broad range of 5 per cent to 12 per cent in other IFAD-financed projects. Had the cost for the Chief Technical Advisor been funded by RUFIP, the project management cost would have dropped to 26.16 per cent, which would still be notably high.[66] Moreover, audit reports and supervision missions repeatedly reported misuse and misappropriation of funds

[64] Errors were found in table 3 of the PCR on the sub-total amount of expenditures for Component One as well as the figure on total expenditure of Component Two. Therefore, the project management cost ratio (43.5 per cent) was not correct.

[65] The Annual Report on Results and Impact of IFAD Operations evaluated in 2013, published by IOE, indicated that "while project management costs average approximately 10 per cent of total project costs in the projects reviewed, the percentage in specific projects – as shown in the President's Reports and other project design documents – ranges from less than 5 per cent to as high as 12 per cent".

[66] Considering the implementation period of the Support for Financial Inclusion in Lesotho, the end-year interest rate of 2013 was used to calculate the cost of the CTA [spell out], which was LSL 7,509,600 (equivalent to US$ 720,000).

under project management during the entire implementation period. Examples include various ineligible expenditures, overpayment of PCU office rent, and overpayment of staff boarding and lodging. The requirement for additional financial management staff was an extra expenditure which would not have occurred had the Financial Controller recruited by PCU duly performed her responsibility.

76. Economic and financial dimensions. The project appraisal report and the MTR report did not include a calculation of an internal rate of return of the project, as it would have required too many assumptions (e.g. on benefits, loan failure/dropout/ success rates, credit risk analysis). The PCR presented a cost-benefit analysis for MBFI investments based on the total investments made in savings and credit cooperatives (SACCOs), RSCGs, VSLAs and SILCs. The cost for VSLAs (promoted by CARE) and SILCs (promoted by CRS) were US$105 and US$94, respectively, per member, and were almost 78 per cent less than that for SACCOs and RSCGs.

Table 9
Cost to benefits – savings, loans and members

	Total Investment	*Cost/ Savings*	*Cost/ Loan*	*Cost/ Member*	*Cost/ Savings*	*Cost/ Loan*	*Cost/ Member*	*Cost/ Member*
MBFI Type		*LSL*	*LSL*	*LSL*	*USD*	*USD*	*USD*	*USD*
SACCOs	6 129 954	8.1	1.4	6 118	0.6	0.1	489	489
RSCGs	3 522 802	30.2	7.9	5 040	2.4	0.6	403	403
SILC - CRS	4 750 573	5	4.5	1 177	0.4	0.4	94	94
VSLA - CARE	5 357 030	3.5	4.2	1 315	0.3	0.3	105	105

Source: Lesotho PCR, 2015.

77. Cost per beneficiary. The PCR did not calculate the cost per beneficiary as it would have been difficult to estimate the number of beneficiaries of Lesotho Post Bank belonging to the target group. This PPE makes an approximation of the cost per beneficiary based on the total project cost in US$ divided by the total number of direct households that benefited from the project (9,811).[67] The result of this calculation would be US$839 per direct household benefited. The cost per member of SACCOs was the highest of all types of MBFIs (US$489). Comparatively, in a similar project financed by IFAD in Ethiopia (RUFIP-Phase II, 2011), the cost per member of SACCOs was US$64, much lower than that of RUFIP.

78. Overall, the time lag between approval and effectiveness was below the country and regional averages. On the other hand, project efficiency suffered initially from a slow starting process due to inappropriate staffing, and placement of procurement in the Ministry of Finance, among other issues. In spite of changes in PCU staff, the PCU struggled throughout the lifespan of the project to maintain consistent reporting and financial management standards (they were not always used according to the loan agreement, as found by audits and supervision missions). The project management cost absorbed an extraordinary share of the total cost. Based on the analyses described above, the PPE rating for efficiency is unsatisfactory (2).

Rural poverty impact

79. Rural poverty impact is defined as the changes that have occurred or are expected to occur in the lives of the rural poor (whether positive or negative, direct or indirect, intended or unintended). In line with IFAD Evaluation Manual (second edition, 2015), the impact shall be assessed in four domains: (i) household income

[67] RUFIP-PCR-project at a glance.

and net assets; (ii) human and social capital empowerment; (iii) food security and agricultural productivity; and (iv) institutions and policies.

80. No reliable and conclusive data were available to inform the assessment of rural poverty impact of RUFIP, in particular on household income and net assets, as well as food security and agricultural productivity. Impact data are based on a 2009 baseline survey, RIMS surveys in 2013 and 2014, a client survey among 16 interview groups during the PCR mission in 2015, and interviews with eight MBFIs during the PPE mission. The PCR notes attribution problems due to the absence of control groups, lack of random sampling, inconsistencies in data and analysis, varying indicators and sampling frameworks, and missing raw data. It is questionable whether the results amount to much more than indicative evidence. Additional impediments to valid impact information comprise time spans that are far too short for significant impact effects on end-users, distortions of results at household level due to fungibility of money, lack of adjustment for inflation (although to a small extent during the project period), and a preoccupation with a narrow focus on end-user impact. Last but not least is a reminder that randomized controlled trials of microfinance rarely if ever proved impact;[68] at best, significant impact takes decades, not years. Moreover, an assessment of impact must not be confined to the time limits and defined intervention areas of projects; to be relevant it must exceed these limitations of time and space.

81. Institutions are crucial in the impact chain. In contrast to end-user impact, impact of project interventions on financial institutions may be attained in a comparatively shorter time, as has been the case in this project. Therefore, the assessment of impact starts with institutions and continues along an impact chain as stated in this section.

Institutions and policies

82. The approach of RUFIP has focused on institution building, in particular on two institutional pillars of financial inclusion: MBFIs and Lesotho Post Bank. It is important to note what the project has not done: following the IFAD Rural Finance Policy, it has not provided a credit line for disbursement to end-users. Instead, it has effectively built the capacity of two types of institutions as providers of financial services to the target group: VSLAs and SILCs in cooperation with CARE and CRS; and Lesotho Post Bank with partial support from UNDP/UNCDF for Support to Financial Inclusion in Lesotho. In both cases, the contribution of the project has been essential. Without RUFIP, neither VSLAs/SILCs nor Lesotho Post Bank would have evolved to that extent into self-reliant financial intermediaries. In both cases, impact has been achieved despite various delays attributable to IFAD; without these delays, institutional impact would have come earlier, and outreach would have been substantially wider. This is testimony to the appropriateness of RUFIP's institutional development approach with private partners such as INGOs.

83. MBFIs. Without the project, 552 VSLAs and SILCs with 8,215 members would not have been established and functioned as self-reliant financial intermediaries; without the delays attributable to IFAD, impact would have been more than twice these numbers. Under the guidance of CRS and with additional external support, as of 12 April 2017 the total number of SILCs and VSLAs added post-RUFIP has been 1,130 with 19,965 members, adding up to a total 1,682 SILCs and VSLAs with 28,180 members.[69]

[68] Note should be taken that Randomized Controlled Trials of the impact of microfinance, mostly covering short periods (two years or less), have rarely come up with positive evidence. There is agreement that impact requires more than financial services – a conducive and receptive economy together with broad processes of economic growth and development – and may take decades, not years, to yield measurable impact. This may also require supporting inputs over time spans far beyond the duration of projects.

[69] It is appropriate to limit the metrics of institutional impact to groups and members. It would be inflationary to extend it to an estimated number of household members, which would be 140,900.

84. This does not apply to RSCGs and financial cooperatives under the Ministry of Agriculture and Food Security and the DOC, with 42 and 45 groups, respectively. Only a fraction of RSCGs mentioned at design as survivors of the prior IFAD-financed project (FS&ESP) were included in RUFIP. The project has not been able to contribute to the establishment and growth of new groups; nor is there any robust evidence of impact on their capacity and performance. Savings volumes have not substantially improved. In contrast, lending volumes of financial cooperatives did consistently grow, but evidently not due to growth of savings. Neither the Ministry of Food Security nor the DOC was responsive to RUFIP's initiatives and capacity-building. There was very little field-level commitment from the Ministry of Food Security to RUFIP's MBFI strategy. Overall, RUFIP's approach has not worked with governmental partners such as the Ministry of Food Security and the DOC, confirming reservations expressed by mission members at design.

85. Lesotho Post Bank. As in the case of VSLAs/SILCs, without the intervention of RUFIP Lesotho Post Bank would not have evolved into a self-reliant, profitable financial intermediary with rapidly expanding credit outreach to urban as well as rural customers, profitability ultimately being a prerequisite for such outreach. Lesotho Post Bank remained a pure savings bank until 2009, incurring losses covered by the Government until 2013. RUFIP, with support from UNDP/UNCDF for a long-term technical advisor, succeeded in building the capacity of the bank and its ability to develop new products, against numerous interruptions and delays. There were two highlights of institutional impact, supported by evidence from historical balance sheet data 2006-2015: (i) the granting of a full banking license in 2009, followed by the start of limited credit services in 2010; and (ii) the relaunching and roll-out of the credit programme with a new advanced IT-based credit module and Management Information System under a new managing director in 2014, resulting in a surge of credit outreach and a turn from losses to profitability.

86. Profitability is the basis for the bank's expansion of outreach to rural areas and low-income customers. ROAA before tax was 2.35 per cent in 2014 and a remarkable 4.18 per cent in 2015. Assuming that every customer has a savings and current account, outreach in February 2017 was 82,372 accounts,[70] of which 32 per cent were reportedly in rural areas.[71]

Human and social capital and empowerment

87. MBFIs, particularly the rapidly increasing number of VSLAs/SILCs, have been fertile ground for the emergence of empowerment and the generation of human and social capital. This took place at two levels: village agents/private service providers (PSPs) and MBFIs. At the level of village agents/PSPs, human capital has been developed in a first step by local NGOs as implementers and supervisors who train and initially remunerate village agents as facilitators of MBFIs. In a second step, after a training period, the agents are examined and graduated to PSPs, to be paid by the groups for their services. Agents who fail the test undergo further training. PSPs are supervised and periodically retrained. Within a given area, there is social cohesion among the PSPs: a force in the establishment and promotion of groups. In a third step, this converts the human capital of individuals into social capital of an institutionalized system of facilitation.

88. Under RUFIP, CRS has trained 19 PSPs, of whom 16 are remaining as of March 2017. CRS also continues to train PSPs in follow-up projects. Care for Basotho reported in March 2017 that three new staff members and 16 village agents had been recruited since 2015. There are plans to form networks of PSPs as a core element of sustainability and expansion; however, RUFIP interruptions and insufficient remaining time toward the end of the project prevented the formation

[70] Excluding fixed deposit accounts.
[71] All areas outside of Maseru District are considered as rural areas in Lesotho.

of networks. Network formation is under way in the ongoing CRS follow-up projects.

89. The second level of human and social capital formation are MBFIs formed and guided by village agents/PSPs. Within the MBFIs, human capital is being generated in two respects. First, savings and borrowing together with investment and repayment habits are instilled in the members. In this context, PCR notes indirect project benefits such as improved social cohesion, financial literacy and social-economic decision-making confidence. Second, members are trained in group management, record keeping and reporting. Since November 2016, this has been backed up by CRS reporting to the Savings Group Information Exchange[72] and data are available for public review and analysis as of April 2017. By institutionalizing practices of members and group management, including supervision and reporting, the human capital of the members is converted into group-based social capital. This process is greatly aided by the predominance of women among group members as well as group management, with very high literacy rates. Organizing groups in associations within geographical areas, a next step in social capital formation, has been under discussion. This has not materialized under RUFIP, for the same reasons as in the case of PSP networks. Formation of associations of groups is part of the future programme of CRS in its various projects, which are all related through SILCs as a cross-cutting strategy.

Household income and assets

90. Rural poverty impact in terms of household income and assets to date is marginal. Loans to members of MBFIs are predominantly invested in the start-up or expansion of business activities (particularly poultry, piggeries and sewing), but at local level and on a low scale. Investments are impeded by a low level of rural economic development and a lack of access to markets (as in the prior FS&ESP), the latter a key obstacle to further progress in the eyes of members.

91. According to the RUFIP impact survey, incomes and assets of group members showed credit use almost equally divided between production (58 per cent) and consumption (42 per cent), with a tendency to employ loans for both purposes at different times. Fifty-one per cent also claimed using credit for food purchases, school fees and health purposes. This has been confirmed by the field studies of the PCR and PPE missions. While being indicative, the percentages have little statistical meaning due to the fungibility of money, with cash, contributing to income smoothing, flowing freely within a household for a variety of uses. Note should be taken that there is no loan examination procedure in the groups, and loan use is unrestricted – loans are not given for particular purposes but are at the disposal of the borrower. Moreover, in the VSLAs/SILCs the typical small loans for three months are probably of lesser impact than the much larger allocations at the annual share-out, of unrestricted use like the loans. Both loans and share-outs have contributed to the finding of the PCR indicative survey of 2015 that 88 per cent of those interviewed reported “more money” than in 2014, and 96 per cent stated the obvious impact of the project: improved access to internal credit and savings. Both missions, PCR in 2015 and PPE in 2017, found great satisfaction with MBFI financial services, although with a reservation: loans are too small, but substantially larger loans face marketing problems.

92. With regard to outreach, virtually all MBFI members have access to loans which are mostly short-term, either in the same year or in subsequent years, except for members of financial cooperatives with larger and longer-term loans. All VSLA/SILC members, the vast majority of MBFIs, have access to their accumulated savings and profits at the share-out, commensurate to their savings inputs.

[72] Savings Groups Information Exchange is a reporting system that provides standardized reports on saving groups programmes worldwide.

93. The challenges to significant impact are illustrated by the limited results of determined efforts by CRS. Under RUFIP CRS has established 299 groups with 4,045 members. A total of 120 members (3 per cent) are reported to have been actively engaged in businesses following trainings on the Start Your Business Module. A total of 88 members accessed their start-up capital from the SILC groups while 32 members took loans to expand their existing business. The businesses established or expanded included sale of fruits and vegetables, small food-selling (tuck) shops, catering, dress making, shoe repairs and hair salons. These businesses profited greatly from small loans from groups and access to share-outs; but their scale and market access are not, or not yet, up to a level where banks could broadly intervene.

94. Overall, as stated in the PCR, while project participants derived benefits from access to financial services, most of services were basic and their sustainability uncertain. There was some evidence of job creation or systemic enterprise growth. There was also some evidence of better living conditions and livelihoods, such as home improvements, education, and health, as observed by the PPE mission.

Food security and agricultural productivity

95. As indicated in annex I, assessment of this impact domain should consider the changes occurred in food security due to the programme, including availability, stability, affordability and access (and stability of access) to food. Impact on agricultural productivity should be measured in terms of yields, nutritional value of food and child nutrition.

96. In the case of RUFIP, food security and agricultural productivity were not the explicit focuses of the programme. Available data in relation to food security only focused on "hungry season" experiences of the target group. There is evidence of a decline in the share of respondents experiencing a hungry season between 2009 and 2014, which was reduced from 45 per cent to 31 per cent. In the 2015 PCR survey, only 11 per cent of the respondents experienced a hungry season in the preceding year.

97. However, it would be presumptuous to attribute the achievement to the project, which did not pursue particular objectives or strategies of food security and agricultural productivity. Due to the absence of a control group, it is difficult compare the changes between households participating in the programme and non-beneficiaries' households. Similarly, improvements in safe sanitation, from 37 per cent in 2009 to 62 per cent in 2014 (but none in access to safe drinking water), cannot be attributed to the project, but point to wider processes of social and economic change in Lesotho. There was no available information in the supervision reports and the PCR on the impact on agricultural productivity.

98. The programme has built the capacity of private MBFIs as generators of human and social capital and, together with Lesotho Post Bank, as providers of sustainable financial services to the target group, with benefits expected beyond the duration of the intervention. During the project implementation period, financial services impacted living conditions and households' income on a low scale; but there was evidence of job creation or systemic enterprise growth in the project area. Overall, RUFIP's impact on rural poverty is considered as **moderately satisfactory (4)**.

Sustainability of benefits

99. Sustainability refers to the likely continuation of the benefits generated by the project beyond the phase of external funding support. Given that capacity-building of MBFIs and Lesotho Post Bank were two major components and the financial linkages between beneficiaries and the commercial banks were not established, the assessment of this section would focus on the sustainability of the MBFIs established under RUFIP as well as the development of Lesotho Post Bank. The sustainability of MBFIs and Lesotho Post Bank seems assured at the institutional

level, and so is their incipient contribution to financial inclusion; but effective linkages and substantial end-user benefits have an uncertain future.

100. MBFIs. A key element in the sustainability of VSLAs/SILCs is the PSPs paid by the groups. A gap in the institutional framework of sustainability is the lack of networks of PSPs and associations of MBFIs. This had been envisaged by the promoting INGOs as a strategy to assure self-organized coordination and oversight and to strengthen the sector’s ability to mobilize resources. However, due to a prolonged contract interruption and too short a remaining time horizon at the end of the project, this did not materialize. CRS, together with two national NGOs under its umbrella, Caritas and Care for Basotho, continues to pursue the objective of forming networks and associations in ongoing and future projects. This might create opportunities for expanding this strategy to the groups formed under RUFIP, including reporting to the Savings Groups Information Exchange (SAVIX), with a presumed solidifying effect when embedded in the named networks and associations. However, no steps were taken by IFAD at completion to prepare the ground for this initiative.

101. Financial cooperatives, although small in number, are expected to continue to exist, with guidance provided by supervisors on the payroll of the DOC. Financial reporting and effective supervision are not in sight, despite initiatives by Central Bank of Lesotho and assistance received from international organizations, nor are there indications of plans for restructuring and reforming the DOC and the cooperatives. Steps have been taken by Central Bank of Lesotho to bring large financial cooperatives under its supervision, and smaller ones perhaps into a reporting framework: a prerequisite of good performance and growth. These efforts have been opposed by the DOC.

102. RSCGs have received little systematic attention by the MAFS; their number has dwindled after the closure of FS&ESP, the predecessor project, and remained at an insignificant level in terms of numbers and performance. Sustainability is unlikely. As they dissolve, members may have the opportunity to join other groups, such as SILCs and perhaps financial cooperatives.

103. Lesotho Post Bank. There is little doubt as to the continual sustainability of Lesotho Post Bank as a provider of financial services, including credit throughout the country, in both urban and rural areas.[73] The bank’s sustainability is based on two main factors: profitability and credit outreach in addition to savings outreach. Since 2007, the first year for which performance data exist, the bank made steady progress. From 2007 to 2013, the loss ratio as measured by ROAA declined from -11.17 to -3.23, with a significant drop from -9.38 in 2009 to -4.88 when the project started to show institutional impact. The breakthrough occurred in 2014, the first year of profitable operations, with an ROAA of 2.35 followed by an ROAA of 4.18 in 2015. The bank no longer depends on the Government to cover losses. On the contrary, the bank contributes to the state’s coffers by paying tax on its profits.

104. The introduction and growth of lending operations had a definite impact on the bank’s performance and sustainability. Loans outstanding as a percentage of total assets grew from 2.6 per cent in 2010, when lending started, to 8.5 per cent in 2013, the last year the bank was loss-making. In the breakthrough year 2014, loans outstanding surged to 33.7 per cent of total assets, and 36.2 per cent in 2015: the foundation of the bank’s revenue earning capacity and sustainability (table 6, figure 1).

105. Outreach has grown steadily, starting from zero at the beginning of 2005, the operational establishment year. Historical data are not available, but as of February 2017 savings outreach had grown to 87,567 accounts, 32 per cent in rural Lesotho outside the District of Maseru. Credit outreach has grown substantially since 2010.

[73] The continual improvement of the ROAA, including declining loss of ratios, was observed in the period up to 2014.

With the new 2017 financial strategy, sustainable outreach is expected to grow further and at an increased pace, based on three innovations (see below section on Innovation).

106. Given the above achievements made within two years after the project completion, sustainability is rated as moderately satisfactory (4).

B. Other performance criteria

Innovation

107. The financial service methodologies of the MBFIs were based on the experience and practices of financial cooperatives, RSCGs, VSLAs and SILCs not only in various African countries, but also within Lesotho prior to the project. This also pertains to the self-reliance and sustainability strategy of CARE and CRS: training and graduating village agents to PSPs to be paid by the groups. Thus, they cannot be considered as innovations. At the same time, individual VSLAs and SILCs were found innovative in their ways of raising savings, including fund-raising campaigns among groups in the vicinity.

108. Two innovations, which would have been new, not only in Lesotho, but also in many other African countries, were discussed, but failed to be introduced due to missed contract renewals and the resulting shortage of time: (i) organizing PSPs in networks; and (ii) promoting VSLAs and SILCs in district or other local associations, eventually perhaps with the existing national secretariat. The lack of these two innovations risks undermining the sustainability of the groups. Financial cooperatives and RSCGs as subsectors, together with their respective governmental promoting agencies, tended to be averse to systemic innovation.

109. In RUFIP, innovation has been most pronounced in the process of the transformation of a postal savings bank to a profitable, rapidly expanding financial intermediary with savings and credit services throughout the country – particularly when compared to savings and agricultural banks in many other African countries. With the bank's new 2017 Financial Strategy, sustainable outreach is expected to grow further, perhaps at an unprecedented pace. The strategy is based on three innovations: (i) an updated core banking solution, replacing manual operations; (ii) the introduction of a new lending outreach strategy based on market segmentation by annual customer revenue categories, comprising two bottom segments, two small and medium-sized enterprise segments, and one corporate segment; and (iii) the introduction of mobile and agency banking, which is under preparation.

110. Linkages to date are a failed innovation in the project. Conditions for successful linkages have not been met in Lesotho. The inclusion of linkages as a core objective of the project has been an error of judgment at design and throughout supervision and review missions, all the more so after the failure of the preceding linkage project (FS&ESP). To make things worse, the insistence on linkages as a feasible and indispensable objective has obscured IFAD's and the Government's view of the project's two well-performing pillars of financial inclusion: VSLAs/SILCs and Lesotho Post Bank. Based on the above analysis, the rating for innovation is moderately satisfactory (4).

Scaling up

111. Available information obtained during the PPE mission indicated that development of MBFIs has been scaled up by CRS as well as two local NGOs: Caritas and Care for Basotho, which took over from CARE in 2015. Scaling up under CRS since completion until the PPE mission, on 12 April 2017, with funding from several projects, has been impressive. The number of SILCs and VSLAs has increased by 1,082 groups, from 552 to 1,682 (table 9), the number of members by 19,052, from 8,215 to 28,180 (table 10). This may also serve as an indication of the

potential of future scaling up. There are no such records of scaling up in the financial cooperative and RSCG subsectors.

Table 9
Number of MBFIs – RUFIP (as of March 2015) and post-RUFIP (as of April 2017)

Type	*RUFIP*	*Post-RUFIP*	*Total*
FC	45		45
RSCG	42		42
SILC	299	1 082	1 381
VSLA	253	48	301
Total	639	1 130	1 769

Source: CRS.

Table 10
Number of members of MBFIs – RUFIP (as of March 2015) and post-RUFIP (as of April 2017)

Type	*RUFIP*	*Post-RUFIP*	*Total*
FC	1 125		1 125
RSCG	699		699
SILC	4 035	19 052	23 087
VSLA	4 180	913	5 093
Total	10 039	19 965	30 004

Source: CRS.

112. The scaling up is based on the results of several projects combined in the CRS Lesotho Network, using the newly introduced SAVIX format. The average group size is 17.6; 78.4 per cent of members are women. The annual dropout rate is 6.9 per cent, and the annual membership growth rate is 6.6 per cent. Balance sheet and key ratios are given in table 11. Virtually all resources (except a minute external debt) are owned by the members and recorded as equity, amounting to US$536,572; this is US$496 on average per group and US$28 per member.

Table 11*
Balance sheet data and key ratios, US$

Balance sheet data		*Av./group*
Groups	1 082	
Members	19 052	17.6
Total assets	536 602	496
Cash in box	118 074	109
Bank balance	4 479	4
Loans outstanding	404 360	374
Property now	12	0
Social fund	9 676	9
Liabilities	29	0
External debts	29	0
Equity	536 572	496
Savings this cycle	385 598	356
Social fund	9 676	9
Property at start	4	0
Net profit	41 294	131

Key ratios (weighted)	
Return on savings (ROS)	36.6%
Return on assets (ROA)	26.3%
Return on average assets (ROAA)	52.5%
Loan fund utilization rate	76.7%
Loans outstanding as % of total assets	75.4%
% members with loans outstanding	51.6%

* Data reflect the status of MBFIs as of 12 April 2017.

Source: Data retrieved from CRS on 12 April 2017.

113. The rate of expansion of the network is remarkable, as is the effectiveness of reporting to the SAVIX. During the PPE mission, CRS reported a post-RUFIP scaling up of 949 SILCs, with 16,716 members. Four weeks later, CRS reported 1,082 groups, with 19,052 members: an increase of 14 per cent in terms of both groups and members. Within this time span, total equity grew by 23.7 per cent, from US$433,808 to US$536,572; member savings by 20.7 per cent, from US$319,578 to US$385,598; net profit by 31.8 per cent, from US$107,231 to US$141,294; and loans outstanding surged by one-third (33.3 per cent), from US$303,401 to US$404,360 (table 12).

Table 12
CRS Lesotho Network, key data, 16/03/2017 and 12/04/2017, US$

Item	*16/03*	*12/04*	*% increase*
Equity	433 808	536 572	23.7
Savings	319 578	385 598	20.7
Profit	107 231	141 294	31.8
Loans	303 401	404 360	33.3

Source: CRS.

114. SILCs and VSLAs, and similarly savings groups by other INGOs, are evidently an effective strategy for reaching large and rapidly increasing numbers of low-income people with self-sustained financial services.

115. There are two other INGOs in Lesotho promoting MBFIs of the same savings group type, PACT and World Vision, which have not participated in RUFIP. Further contributions to scaling up as well as sustainability of MBFIs may be expected from: (i) new projects of INGOs introducing savings groups as a cross-cutting strategy; (ii) future networks of NGOs collaborating in strategies and policies of promoting savings groups; and (iii) future networks of village agents/PSPs.

116. While networks of PSPs are under discussion, INGOs have been reluctant in Africa to form networks of NGOs and establish national secretariats to promote and coordinate their savings groups' activities. Cooperation might strengthen the sector's ability to mobilize resources and assure self-organized coordination and oversight, resulting in heightened sustainability and continual growth of outreach. The reluctance of the NGOs may be due to a misguided fear of competition, thus missing the chance of jointly applying for project and coordination support on a much larger scale.

117. Overall, scaling up of the programme benefits rests mainly with the development of MBFIs by NGOs. The potential for other project activities seems weak. The PPE rating on scaling up is moderately satisfactory (4).

Gender equality and women's empowerment

118. The assessment of this criterion focuses on the extent to which IFAD interventions have contributed to better gender quality and women's empowerment, including in terms of women's access to and ownership of assets, resources and services; participation in decision making at household and rural institution levels; and workload balance and economic and social benefit sharing.[74]

119. Although the programme design did not specify any targets or guidelines for gender equality, the participation of women beneficiaries remained high throughout the programme. The appraisal logframe included three gender-disaggregated indicators: (i) number of newly opened deposit accounts, by gender; (ii) number of loans granted by supported financial institutions, disaggregated by purpose and gender; and (iii) number and types of functional and active MBFIs supported under the programme and number of members, by gender. The PCR reported that at completion, the majority of MBFIs are women-led. According to the 2014 Impact and Outcome Level Survey, the share of female members of MBFIs was over 70 per cent, similar to the share of loans to women. In the PCR 2015 survey, 90 per cent of women reported positive changes to their workloads, and 95 per cent felt there was a positive change in their social status. In Lesotho Post Bank, women are the more active savers compared to men, by a wide margin: 55 per cent of the number of deposit accounts of Lesotho Post Bank and 72 per cent of the total amount deposited are held by women; the corresponding percentages for men are 35 per cent and 13 per cent; for corporate and joint accounts without gender identity they are 10 per cent and 15 per cent, respectively (table 13). In terms of political empowerment, an estimated 70 per cent of implementing agency staff, including a majority of those with substantial decision-making authority, were women. This also includes Central Bank of Lesotho, which is currently headed by a female Governor.

Table 13
Number of accounts and amounts of deposits by gender at Lesotho Post Bank, February 2017

Gender	*Per cent/number*	*Amounts in per cent and LSL millions*
Corporate account	10%	15%
Female	55%	72%
Male	35%	13%
Total per cent	100%	100%
Total number	87 567	648.21

Source: Treasury Division, Lesotho Post Bank.

120. The available evidence also pointed to high decision-making powers at the household level. All female group members interviewed by the PPE mission indicated that it was the wife who made decisions on the household's income allocation and usage, or that both the wife and the husband made decisions together. There are many examples of female group members who were able to increase their household income by using loans borrowed from the group to expand their small businesses (e.g. sewing and knitting, shops). An example from the PPE field visit is given in box 1.

[74] These are the three strategic objectives as stipulated in the IFAD Policy on Gender Equality and Women's Empowerment (see https://www.ifad.org/documents/10180/6c7b7222-8000-48a3-982d-98eb973595b3).

Box 1
Example of successful female beneficiary

Ms Majoel Nicoale, a female beneficiary based in Sekamaneng (Berea District), participates in the RSCG Mohlaetoa Farmer's Association, which was established in 2009. Ms Nicoale participated in the RSCG both as a group member and as the secretary to take care of the daily administration of the RSCG-related matters. Under RUFIP, she received training in bookkeeping, marketing, budgeting and management skills. The trainings were organized in as study tours to experienced RSCGs in neighbouring villages. In addition, with a small registration fee (LSL 5) and compulsory regular saving (LSL 50/month), she obtained loans from the RSCG in the amount of LSL 800 every year as "seed money" to purchase a sewing machine to make clothes and school uniforms. With an expectation of borrowing another LSL 4,500, she plans to expand her businesses by purchasing more cloth to meet the demand of a wider range of clients.

The skills she obtained through the training not only enable her to perform better in her role as secretary of the RSCG, but also help her to manage her tailoring business better.

A successful female beneficiary.

121. On the other hand, female beneficiaries were largely burdened with imbalanced workload distribution, with responsibilities for taking care of children, cooking and conducting agricultural activities, apart from running small businesses. The PPE mission found that little improvement/change had been made by the programme on a more balanced workload distribution within the targeted households.

122. Despite these outcomes, it is not entirely convincing that these achievements can be attributed to RUFIP, as the environment for promoting gender equality and women's empowerment is relatively conducive in Lesotho, as recognized in the Global Gender Gap Report (see paragraph 15 above). There are many other contributing factors, including the increasing awareness of women's empowerment in the country, and the traditional male migrant labour culture.[75] Building on such a favourable environment, RUFIP enhanced women's access to services provided by

[75] Due to the labour immigration culture of Lesotho, a large number of male labourers in rural areas are employed in South Africa, leaving the female family members at home to take care of the land and household assets.

MBFIs, including training and loans, thus facilitating the creation, expansion and ownership of their businesses, which led to the increase in the incremental income of the households.

123. Some emerging issues in relation to gender equality were not covered by the programme. The most notable one is how to ensure that women would still be empowered as male migrant workers return home from South Africa. The consequences of the return of male migrant workers on family workload distribution and decision-making powers were not discussed in the PCR.

124. It should also be noted that gender equality, as defined by IFAD, means women and men have equal access to opportunities and services, equal control over resources, and an equal say in decisions at all levels. Findings from the PPE showed that the issue of men's involvement in saving groups and access to financial services was not discussed either in the Appraisal Report or in any of the project supervision reports. During the field visit of the PPE mission, it was observed that in most of the families, it is the wife who makes decisions on how to use the family income. In the remaining families, both the wife and husband make decisions together, which demonstrated the high level of women's empowerment at the household level. The project missed the opportunity to ensure the equal participation of men in the savings groups. For those men who returned from South Africa, while they do not have land (for various reasons), having access to financial services is key to improve their sources of income as it enables them to run small-scale businesses, such as retail shops.

125. The PPE rating for gender equality and women's empowerment is moderately satisfactory (4).

Environment and natural resources management

126. The criterion of environment and natural resources management intends to assess the extent to which the project contributes to resilient livelihoods and ecosystems. At appraisal, the programme was classified as Category B,[76] in line with IFAD's environmental assessment procedures. This classification implied that the programme would not likely have a significant negative environment impact, and thus a full-scale environmental assessment was not required. The Appraisal Report explored opportunities to improve the awareness of members of MBFIs on the importance of environmental conservation through trainings. However, as the programme was not designed to directly support agricultural production activities, the PPE team obtained too little evidence to conduct a sound assessment. The PPE therefore did not assign a rating to this criterion (rating n.a. – not applicable).

Adaption to climate change

127. This criterion assesses the contribution of the project to reducing the negative impacts of climate change through dedicated adaption or risk reduction measures. The programme's impact in this domain was marginal. The issue of climate change was not considered in the project design, given that the focus of the project was on establishing financial linkages and access for the rural poor. The PCR acknowledged that there was no direct project intervention in relation to climate change or climate-smart practices. In view of the nature of the project as well as the absence of the evaluative evidence, the PPE did not assign a rating to this criterion (rating n.a. – not applicable).

C. Overall project achievement

128. The first pillar of the project, effectively built with RUFIP support, consists of self-reliant, mostly women-owned grassroots financial intermediaries (SILCs, VSLAs)

[76] In line with IFAD's Social, Environmental and Climate Assessment Procedures, a programme/project classified as Category B may have some adverse environmental and/or social impacts on human populations or environmentally significant areas, but the impacts: (i) are less adverse than those for Category A; (ii) are site-specific and few are irreversible in nature; and (iii) can be readily remedied by appropriate preventive actions and/or mitigation measures.

promoted by non-governmental implementing partners (CRS, CARE). The MBFIs have successfully provided their members with facilities to deposit and accumulate their savings and to transform them into small loans and larger annual share-outs. The financial resources are used for local income-generating activities and income smoothing, which are closely connected due to the fungibility of money. This has resulted in better living conditions, productive resources and moderately higher incomes. Due to scaling-up efforts by CRS, the number of MBFIs and members has more than tripled in the two years since completion. Construction of this pillar started late, after governmental implementation partners (DOC, MAFS) were unable to expand and effectively supervise MBFIs such as financial cooperatives and RSCGs, respectively.

129. The second pillar was Lesotho Post Bank, at inception a loss-making postal savings bank, which RUFIP successfully helped transform into a self-reliant and sustainable financial intermediary with expanding rural savings and credit outreach. In 2014, only ten years after its operational take-off in 2005 and seven years after the start of RUFIP, Lesotho Post Bank attained profitability. In 2014 and during the two years after completion, 2015-2016, Lesotho Post Bank substantially increased its savings and credit outreach to rural and urban areas.

130. The foundation for a third pillar, NBFIs, was laid by the FIA in 2014, which incorporates the NBFI regulations, but was not ready for implementation before the completion of RUFIP. The passing of the FIA was paralleled by the enactment of the amended Cooperative Societies Act in November 2013, resulting in an agreement between Central Bank of Lesotho and the DOC on oversight of large financial cooperatives.

131. Regarding the overarching linkage objective, some savings linkages of MBFIs and members with Lesotho Post Bank have been initiated; but the terms are not attractive, and the groups find internal financial intermediation more convenient and useful than bank deposits. Credit linkages have not materialized; the expected outreach of bank credit to MBFIs under RUFIP has not occurred. At completion, Lesotho Post Bank reported 14 group loans valued LSL 531,834; but the borrowers were burial societies and other types of groups not under RUFIP. Given the extent of the subsistence economy and the overall low level of development of the rural economy, credit linkages at scale are not feasible for the banks. The MBFI members have expressed an interest in larger loans, but face serious constraints of marketing on a wider scale.

132. The challenges to linkages were no secret at design. However, the Government and IFAD ignored the preceding FS&ESP 1993-2001. That project had an almost identical objective: establishing MBFIs (namely RSCGs) under a governmental implementing partner (MAFS) and linking them to commercial banks. The project had failed on several accounts; lack of markets for microenterprise activities was one of the problems.

133. The PPE arrives at a more balanced, countervailing conclusion. Against major delays and obstacles on the part of both Government and IFAD, RUFIP has succeeded in building two solid institutional pillars of inclusive financial intermediation with rural outreach: private sector MBFIs under the guidance of NGOs and a government-owned postal bank, Lesotho Post Bank. Within two years after completion up to the PPE in 2017, the two pillars passed the double test of sustainability and scaling up. The number of self-reliant MBFIs and the number of members, under the leadership of CRS, have more than tripled. Lesotho Post Bank has substantially expanded its urban and rural credit outreach, using deposits as source of loanable funds, and at the same time generating a profit to finance its operations without reliance on government support. In the absence of a conducive economic environment, linkages have not been a necessary condition for the extension of financial services to the target group on a sustainable basis.

D. Performance of partners

IFAD

134. The programme design contained a number of shortcomings (already described in the above sections) which reflected that IFAD did not sufficiently consider the lessons generated from the RS&ESP. In the PCR of RS&ESP, it was clearly stated that: (i) promotion of savings and credit groups of only rural poor by a government agency in Lesotho was to be feasible; and (ii) linkages of savings and credit groups with commercial banks and related CGF was not feasible. IFAD missed the opportunities to improve the programme design by conducting a feasibility study at the inception and appraisal stages to assess the feasibility of linking MBFIs with Lesotho Post Bank during the seven-year programme implementation period and the opportunity cost.

135. RUFIP had been directly supervised by IFAD from the beginning. IFAD conducted supervision and implementation follow-up missions regularly (at least once a year), with the participation of the CPM in all missions (except for 2015). The quality of these supervisions is overall high, with a sound composition of technical expertise, and the supervision missions pointed out the changing programme environment and context at the macro-level as well as the key issues to be addressed by the PCU at the programme level. The 2009 supervision report promptly flagged the need to explore opportunities to partner with CARE and CRS to accelerate the implementation of Component One. It also shows the flexibility of IFAD in terms of adjusting project implementation modalities. The MTR was conducted in line with the Financing Agreement. It underlined the obstacles faced by the Programme, including the high portion of PCU expenditure, the weak financial reporting and internal budget control of the PCU, as well as the inaccurate reporting system.

136. Some of these issues have been consistently reported by the supervision missions, including the low performance on the linkage between Lesotho Post Bank and MBFIs. When IFAD realized that the Lesotho Post Bank was revising its strategic plan and there was a risk that the revised strategic plan and lending activities may not be in compliance with RUFIP's goals and objectives, IFAD promptly suspended disbursements to Lesotho Post Bank in order to push the Bank's management make necessary revisions and steps to keep its commitment to rural outreach.[77] The frequent turnover of CPMs for Lesotho was recognized by the Government of Lesotho as one of the main issues which delayed project implementation, in particular for the post-MTR period. From the programme design to its completion, there were six CPMs in total covering the Lesotho portfolio, including one who managed the portfolio for less than three months.[78]

137. There are two areas where IFAD could have performed better. First, as discussed in the Relevance section, the design did not sufficiently consider the lessons learned from the RF&ESP on the selection of promoting agencies of the MBFIs. Although the design was a joint effort of IFAD and the Government and the ownership of the programme should be respected, IFAD should have flagged the risks and provided more guidance through its worldwide experience of supporting inclusive rural financial service initiatives.

138. Second, IFAD could have provided better guidance on the resources allocated to the programme management component. The programme cost should have been adjusted, as some of the programme activities were being supported by other institutions, including the financing of the chief technical advisor by UNDP/UNCDF. Even though the programme management cost issue was reported in the

[77] RUFIP, Supervision Mission, 24 June – 06 July 2012, Aide-Memoire.
[78] The six CPMs were: (i) Mr John Gicharu (prepared the project inception report); (ii) Ms Fumiko Nakai: 1 April 2008 to November 2011; (iii) Ms Abla Benhammouche: 8 November 2011 to February 2012; (iv) Ms Miriam Okong'o: February 2012 to November 2012; (v) Ms Louise McDonald: 10 November 2012 to December 2013; and (vi) Mr Thomas Rath: 13 December 2013 to date.

supervision reports, IFAD should have taken more pro-active actions to control the resources allocated to the programme management component.

139. While supervision missions resolved many issues, and facilitated the implementation of the key project activities, IFAD missed some opportunities to improve the programme in terms of design, re-contracting of the NGOs in a timely manner, and putting M&E on an evidence-based footing. Based on the above assessment, IFAD's performance is rated as moderately unsatisfactory (3).

Government of Lesotho

140. Adjustment of project design. At the time of design, establishing a new National Credit Guarantee Scheme was considered as a major effort of the Government to promote linkages between MBFIs and commercial banks. However, the Government's design, after the MTR, to establish the new Partial Credit Guarantee Fund within the Ministry of Finance (with 51 per cent shares) is considered by the PPE as a distorting element which directly resulted in the relinquishing of RUFIP's support on the linkage programme. Consequently, although it was expected that the CGF would link at least 50 MBFIs with commercial banks, no output was generated.

141. Staffing. The Government of Lesotho had overarching responsibility for the programme and appointed the Department of Private Sector Development and Financial Affairs of the Ministry of Finance and Development Planning as the "Lead Programme Agency". The Ministry of Finance's contribution to RUFIP was satisfactory in providing dedicated staff to be engaged in and committed to the implementation, supervision and evaluation of the programme. On the other hand, the Government did not provide sufficient support to strengthening the capacity of the PCU. Although the issue of weak capacity of the PCU had been flagged by supervision missions, there was no major improvement, even with the recruitment of a procurement officer and short-term consultants for financial management.

142. Counterpart funding. Overall, the Government managed to provide sufficient counterpart funds, as agreed at appraisal, in a timely manner. As of January 2015, a total of US$2.72 million, or 213 per cent of the initial commitment, had been provided by the Government for operating costs and taxes payable on procurements. During the project implementation period, the counterpart funds provided in each fiscal year usually exceeded expectations. In some cases (e.g. in 2011/2012), not 100 per cent of the approved counterpart funds were materialized. The supervision report explained that the main reason was that the absorption capacity of the Programme was limited, rather than the issue of the Government.

143. Fiduciary management. The audited financial statements and reports were regularly undertaken by external auditors and submitted to IFAD as stipulated in the Financing Agreement. The financial management capacity of the PCU was weak, which resulted in the delay in updating and reconciliation of the cashbook as well as financial transactions, which greatly hampered the effectiveness and efficiency of the programme management. Additionally, a number of issues concerning illegible reimbursements for staff activities were flagged in the audit reports, reflecting the absence of internal control within the PCU on financial management. The flagged issue was not effectively addressed until 2014, which demonstrated the slow reaction and limited intervention undertaken by the Government. The lack of effective staffing to execute the internal auditing function also indicated the Government's inadequate attention to fiduciary management.

144. M&E. The M&E system was not designed and established in a timely manner, as reported repeatedly in the supervision reports. The baseline survey was discussed in October 2008, about one year and half after loan effectiveness. Data from the available surveys reflected that the quality of reporting on implementation progress and outputs by implementation agencies remained weak and uncompleted. There

were no indicators on the breakdown of the deposit accounts and total amount of deposits by district or by urban and rural areas in the Lesotho Post Bank. This made it difficult to monitor and assess the effectiveness of the targeting approach adopted.

145. As with IFAD, the performance of the Government is rated to be moderately unsatisfactory (3).

E. Assessment of the quality of the Project Completion Report

146. Scope. The PCR, by and large, covers most of the evaluation criteria, with adequate detail and depth. It discusses in detail the results of the three substantive components of the project and presents and analyses in depth the substantial impediments to the achievement of the substantive components on the side of IFAD and of government implementing partners. It is also straightforward, outspoken and candid in its conclusions.

147. On the other hand, it ignores the preceding FS&ESP 1993-2001, which had an almost identical objective: establishing MBFIs (RSCGs) under a governmental implementing partner (MAFS) and linking them to commercial banks – a project which had failed. No explanation is given for the insistence of the Government and IFAD to pursue a project at design as well as MTR with the same singular overall objective ("Linking MBFIs to commercial banks") that could reasonably not be "based on hope". The scope of the PCR is therefore rated as moderately satisfactory (4)

148. Quality (methods, data, participatory process). The PCR provided clear analysis against each evaluation criterion, supported by solid evidence and data. By recognizing the data gap due to the weak M&E system, the PCR made an effort to validate the data based on the results of the client survey conducted by the PCR mission. The weaker part of the PCR is that some of the figures presented in table 3 on component cost summary was not correctly recorded and calculated, which directly influenced the analysis in the context of the PCR. The currency used for project cost in the PCR was Lesotho Loti, without a clear explanation of the equivalent amount in US dollars, making it difficult to compare expenditures in different stages of project financing. The rating for the quality of the PCR is moderately satisfactory (4).

149. Lessons. The lessons generated from the PCR are largely adequate and useful. The PCR missed the logic of disconnecting institution building from linkages, for which prerequisites are missing in Lesotho, ignoring thereby RUFIP's unbiased focus on financial institution building with rural outreach: (i) the building of self-reliant, mostly women-owned grassroots financial intermediaries (SILCs, VSLAs) promoted by non-governmental implementing partners, unlike the failure of governmental partners; (ii) the transformation of a loss-making postal savings bank into a self-reliant and sustainable financial intermediary with expanding rural savings and credit outreach as of 2014; and (iii) in both cases the building of financial intermediaries which mobilize their own resources used as loanable funds on their own terms, a commendable key aspect of the project in line with the IFAD Rural Finance Policy (2000, 2009), in contrast to end-user credit lines. The rating is moderately satisfactory (4).

150. Candour. The PCR tried to maintain a balance between programme achievements and setbacks. It provided critical assessments of some of the key issues during project implementation. However, the PCR did not provide a sufficiently critical assessment of the high programme management cost from the perspective of IFAD responsibilities. The rating is moderately satisfactory (4).

Key points

- The programme design supported four domains for rural and microfinance sector development in Lesotho: (i) establishing MBFIs; (ii) transforming Lesotho Post Bank into a fully licensed commercial bank and important player in linkages; (iii) linking formal and informal financial institutions; and (iv) creating an enabling environment. Overall, these elements were relevant at a broad level. However, selecting government institutions, i.e. DOC and MOAFS, to promote MBFIs proved to be a design flaw.
- The majority of the programme outcomes were achieved through the involvement of two INGOs, which made significant contributions to the establishment and capacity-building of MBFIs. The delay in re-contracting these two INGOs greatly hampered project effectiveness.
- The overall disbursement pace was largely driven by the high programme management cost, and the disbursement rates for the other three components were comparatively low. Despite the high programme management cost (about one third of the total expenditure), the M&E system was not duly established and the quality of the M&E reports was poor.
- The impact domain most visibly affected by the programme is “institutions and policies”. Without RUFIP, neither VSLAs/SILCs nor Lesotho Post Bank would have evolved to that extent into self-reliant financial intermediaries.

IV. Conclusions and recommendations

A. Conclusions

151. Despite a promising objective, the programme was overambitious and did not sufficiently consider the capacity of the implementing agencies and the absence of the financial sector foundations in the country. The programme had an ambitious objective of enhancing access by the rural poor to efficient financial services on a sustainable basis. While the programme managed to build financial intermediaries with rural outreach which mobilized their own resources used as loanable funds, the intended objective was not achieved at completion, as the linkages between MBFIs and commercial banks were not effectively created.

152. Realizing that the governmental implementing agencies were too weak to drive the MBFI sector, the programme involved two INGOs as implementation partners, which proved to be an effective approach and demonstrated the flexibility of IFAD. RUFIP's experience with building MBFIs as member-owned local financial intermediaries was mixed: it failed with governmental implementing partners while it succeeded with non-governmental partners. Due to the efforts of CRS and CARE, a significant number of MBFIs and members were reached and trained. The MBFIs successfully provided their members with facilities to deposit and accumulate their savings and to transform these into small loans and larger annual share-outs. The notable number of VSLAs and SILCs promoted by CRS and CARE assured the demand by the rural poor for accessible, affordable and sustainable financial services.

153. The programme performed well in transforming Lesotho Post Bank into a self-reliant and sustainable retail bank, with a full banking license and expanding rural credit and savings outreach. Transforming state-owned financial institutions has been a challenging experience in many countries. When funded from loans to governments, the process has frequently failed because resources were not available to hire the best international talent. In RUFIP, Support to Financial Inclusion in Lesotho by UNDP/UNCDF to hire an experienced international consultant was decisive. Lesotho Post Bank had been under pressure to striked a balance between pursuing profit and reaching out to lower-income rural clients, as designed at appraisal. Such pressure had been and would continue to be the main constraint preventing a wider participation of commercial banks in financial linkages.

154. The programme's impact on rural poverty was moderate. On one hand, the programme successfully built the capacity of the MBFIs and the Lesotho Post Bank, which established the foundation for improving human and social capital as well as broadening access to affordable and sustainable financial services. Some of the expected project benefits might be generated beyond the duration of the project period. On the other hand, there was no clear evidence that RUFIP had a notable impact on rural poverty alleviation.

B. Recommendations

155. The PPE provides four key recommendations for IFAD and the Government of Lesotho for future investments and projects in the country in relation to access to rural and microfinance services.

156. Recommendation 1: Build private MBFIs only with private and/or non-governmental implementing partners. Based on the lessons and experience of RUFIP and RF&ESP, it is recommended that future projects use non-governmental agencies, preferably experienced NGOs, as implementing partners for promoting MBFIs. This requires funding from sources other than loans to governments, e.g. grants. The Government, through the central bank, has the responsibility to

provide a conducive policy and regulatory environment, which may be funded from loans.

157. Recommendation 2: Allocate at design funds from grant resources or in cooperation with other partners[79] for two sustainability-cum-upscaling exit strategies, post-completion if necessary: (i) organizing PSPs in networks; and (ii) organizing groups in local or district associations. PSPs, paid-for-service by the savings groups they have established, are widely considered by NGOs as an exit strategy after the end of their various short projects in which they built savings groups/MBFIs as a cross-cutting strategy. As long as PSPs are not organized in networks as a basis of communication and mutual and possibly external support, the engagement of PSPs with the groups they have established and with additional new groups is likely to be short-lived. A related and mutually reinforcing strategy would be to also organize groups in local or district associations.

158. Recommendation 3: Strengthen the capacity of the existing national secretariat of NGOs, enabling it to serve as a key facilitator of MBFIs for coordination, representation and resource acquisition. The facilitation of savings groups by INGOs is a cross-cutting strategy for numerous local projects of limited scale and duration. There is usually no coordination and policy dialogue among various facilitating INGOs and local NGOs. As the local projects come to an end, facilitation, oversight and reporting to the SAVIX usually stop at some point. Attempts should be made to strengthen the capacity of the existing national council so that it can play a more proactive role in supporting the rural finance and microfinance sector. It would take the intervention of an international agency with a comprehensive long-term development agenda (like IFAD) to bring this process to a sustainable conclusion.

159. Recommendation 4: Improve the capacity and integrity of programme management staff in future projects. For IFAD-financed projects in Lesotho in the future, the Government should take every possible measure to assign competent staff to the project to ensure the required capacity and integrity of the PCU. Trainings and incentives should also be provided to increase the stability of the PCU and reduce the turnover of the key project staff, as experienced by RUFIP.

[79] E.g. MasterCard Foundation

Basic project data

			Approval (US$ m)		*Actual (LSL m)*	
Region	East and Southern Africa	Total project costs	10.7		93.28	
Country	Lesotho	IFAD loan and percentage of total	8.7	81.3%	74.28	79.6%
Loan number	723-LS	Borrower	1.2	11.2%	19.00	20.4%
Type of project (subsector)	Rural finance	Cofinancier 1	0.5	4.7%		
Financing type	Loan and grants	Cofinancier 2				
Lending terms*	Highly concessional	Cofinancier 3				
Date of approval	12 September 2007	Cofinancier 4				
Date of loan signature	7 October 2007	Beneficiaries	0.3	2.8%		
Date of effectiveness	31 March 2008	Other sources:				
Loan amendments	None	Number of beneficiaries: (if appropriate, specify if direct or indirect)	In total 58,866, of which 9,811direct beneficiaries			
Loan closure extensions	None					
Country programme managers	Fumiko Nakai Abla Benhammouche Miriam Okong'o Louise McDonald Thomas Rath	Loan closing date	31 September 2015			
Regional director(s)	Sana Jatta	Mid-term review	May 2011			
Lead evaluator for project performance evaluation	Xiaozhe Zhang	IFAD loan disbursement at project completion (%)	86%			
Project performance evaluation quality control panel	Johanna Pennarz Ernst Schaltegger	Date of project completion report	September 2015			

Source: IFAD database/RUFIP PCR

* In line with the Policies and Criteria for IFAD financing (Resolution 178/XXXVI), IFAD provides three types of loans to its developing Member States on highly concessional, blend and ordinary terms for approved projects and programmes from 2013 onwards. The conditions for these three types of loans are as follows: (i) special loans on highly concessional terms, free of interest but bearing a service charge of three fourths of one per cent (0.75 per cent) per annum and having a maturity period of 40 years, including a grace period of 10 years; (ii) loans on blend terms, with a fixed interest rate of 1.25 per cent and a maturity period of 25 years, including a grace period of 5 years and a service charge of 0.75 per cent; (iii) loans on ordinary terms, with a rate of interest per annum equivalent to one hundred per cent (100 per cent) of the variable reference interest rate, and a maturity period of 15-18 years, including a grace period of three years.

Definition and rating of the evaluation criteria used by IOE

Criteria	*Definition* *	*Mandatory*	*To be rated*
Rural poverty impact	Impact is defined as the changes that have occurred or are expected to occur in the lives of the rural poor (whether positive or negative, direct or indirect, intended or unintended) as a result of development interventions.	X	Yes
	Four impact domains		
	• Household income and net assets: Household income provides a means of assessing the flow of economic benefits accruing to an individual or group, whereas assets relate to a stock of accumulated items of economic value. The analysis must include an assessment of trends in equality over time.		No
	• Human and social capital and empowerment: Human and social capital and empowerment include an assessment of the changes that have occurred in the empowerment of individuals, the quality of grass-roots organizations and institutions, the poor's individual and collective capacity, and in particular, the extent to which specific groups such as youth are included or excluded from the development process.		No
	• Food security and agricultural productivity: Changes in food security relate to availability, stability, affordability and access to food and stability of access, whereas changes in agricultural productivity are measured in terms of yields; nutrition relates to the nutritional value of food and child malnutrition.		No
	• Institutions and policies: The criterion relating to institutions and policies is designed to assess changes in the quality and performance of institutions, policies and the regulatory framework that influence the lives of the poor.		No
Project performance	Project performance is an average of the ratings for relevance, effectiveness, efficiency and sustainability of benefits.	X	Yes
Relevance	The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, institutional priorities and partner and donor policies. It also entails an assessment of project design and coherence in achieving its objectives. An assessment should also be made of whether objectives and design address inequality, for example, by assessing the relevance of targeting strategies adopted.	X	Yes
Effectiveness	The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.	X	Yes
Efficiency	A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted into results.	X	Yes
Sustainability of benefits	The likely continuation of net benefits from a development intervention beyond the phase of external funding support. It also includes an assessment of the likelihood that actual and anticipated results will be resilient to risks beyond the project's life.	X	Yes
Other performance criteria			
Gender equality and women's empowerment	The extent to which IFAD interventions have contributed to better gender equality and women's empowerment, for example, in terms of women's access to and ownership of assets, resources and services; participation in decision making; work load balance and impact on women's incomes, nutrition and livelihoods.	X	Yes
Innovation	The extent to which IFAD development interventions have introduced innovative approaches to rural poverty reduction.	X	Yes
Scaling up	The extent to which IFAD development interventions have been (or are likely to be) scaled up by government authorities, donor organizations, the private sector and other agencies.	X	Yes
Environment and natural resources management	The extent to which IFAD development interventions contribute to resilient livelihoods and ecosystems. The focus is on the use and management of the natural environment, including natural resources defined as raw materials used for socio-economic and cultural purposes, and ecosystems and biodiversity - with the goods and services they provide.	X	Yes
Adaptation to climate change	The contribution of the project to reducing the negative impacts of climate change through dedicated adaptation or risk reduction measures.	X	Yes

Criteria	*Definition* *	*Mandatory*	*To be rated*
Overall project achievement	This provides an overarching assessment of the intervention, drawing upon the analysis and ratings for rural poverty impact, relevance, effectiveness, efficiency, sustainability of benefits, gender equality and women's empowerment, innovation, scaling up, as well as environment and natural resources management, and adaptation to climate change.	X	Yes
Performance of partners			
• IFAD	This criterion assesses the contribution of partners to project design, execution, monitoring and reporting, supervision and implementation support, and evaluation. The performance of each partner will be assessed on an individual basis with a view to the partner's expected role and responsibility in the project life cycle.	X	Yes
• Government		X	Yes

* These definitions build on the Organisation for Economic Co-operation and Development/Development Assistance Committee (OECD/DAC) Glossary of Key Terms in Evaluation and Results-Based Management; the Methodological Framework for Project Evaluation agreed with the Evaluation Committee in September 2003; the first edition of the Evaluation Manual discussed with the Evaluation Committee in December 2008; and further discussions with the Evaluation Committee in November 2010 on IOE's evaluation criteria and key questions.

Rating comparison[a]

Criteria	*Programme Management Department (PMD) rating*	*Project Performance Evaluation rating*	*Rating disconnect*
Rural poverty impact	4	4	0
Project performance			
Relevance	3	3	0
Effectiveness	3	3	0
Efficiency	2	2	0
Sustainability of benefits	3	4	1
Project performance[b]	3	3	0
Other performance criteria			
Gender equality and women's empowerment	5	4	-1
Innovation	4	4	0
Scaling up	4	4	0
Environment and natural resources management	n.a.	n.a.	n.a.
Adaptation to climate change	n.a.	n.a.	n.a.
Overall project achievement[c]			
Performance of partners[d]			
IFAD	4	3	-1
Government	3	3	0
Average net disconnect			**- 0.1**

[a] Rating scale: 1 = highly unsatisfactory; 2 = unsatisfactory; 3 = moderately unsatisfactory; 4 = moderately satisfactory; 5 = satisfactory; 6 = highly satisfactory; n.a. = not applicable.
[b] Arithmetic average of ratings for relevance, effectiveness, efficiency and sustainability of benefits.
[c] This is not an average of ratings of individual evaluation criteria but an overarching assessment of the project, drawing upon the rating for relevance, effectiveness, efficiency, sustainability of benefits, rural poverty impact, gender, innovation, scaling up, environment and natural resources, and adaptation to climate change.
d The rating for partners' performance is not a component of the overall project achievement rating.

Ratings of the Project Completion Report quality

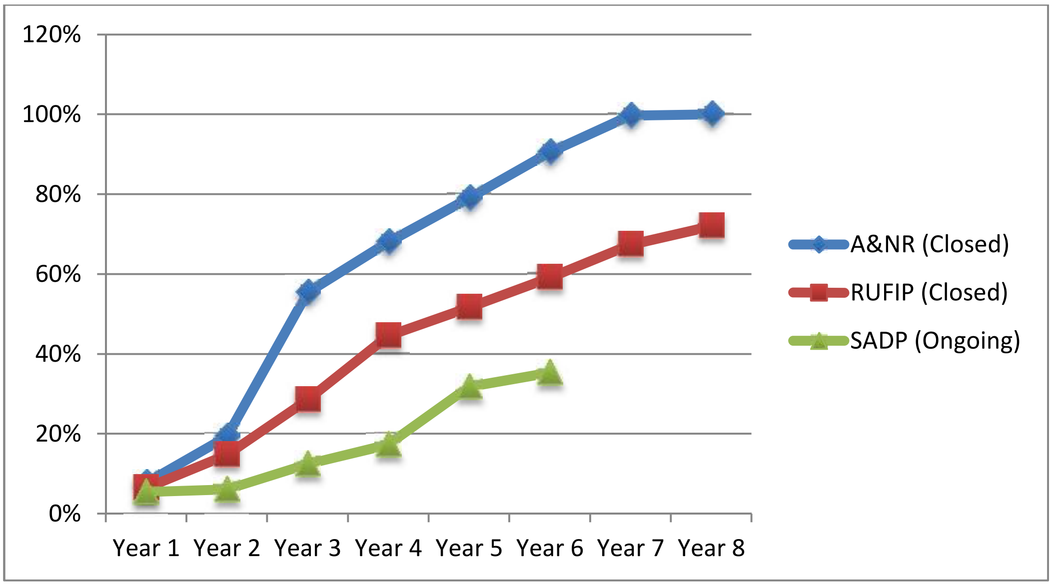
	PMD rating	*IOE rating*	*Net disconnect*
Scope		4	
Quality (methods, data, participatory process)		4	
Lessons		4	
Candour		4	
Overall rating of the Project Completion Report			

Rating scale: 1 = highly unsatisfactory; 2 = unsatisfactory; 3 = moderately unsatisfactory; 4 = moderately satisfactory; 5 = satisfactory; 6 = highly satisfactory; n.a. = not applicable.

RUFIP financial performance within IFAD portfolio

Annex IV – Figure 1

Comparable disbursement rates for IFAD operations in Lesotho 2007 – 2016



Annex IV – Figure 2

Sources of financing across IFAD's programme in Lesotho

Projects in Lesotho	Source of financing (US$) IFAD	Domestic	Cofinancing	Total
Marketing &Credit Project	5 920 000	1 300 000 (NG)		7 220 000
Local Initiatives Support	4 059 000	1 200 000 (NG)	100 000 (UNICEF) 900 000 (PC)	6 259 000
Soil & Water Conservation	6 035 000	790 000 (NG)		6 825 000
Rural Finance and Enterpr	4 056 267	46 100 (B) 1 590 000 (DFI)		6 516 246
Mountain Areas Agric Dev	8 410 947	2 441 103 (NG)		10 852 050
Agric & Natural Resource	10 129 436	1 686 876 (NG) 198 417 (B)		12 014 729
RUFIP	**8 687 974**	**1 280 815 (NG)** **490 030 (DFI)** **264 962 (B)**		**10 723 781**
Smallholder Agricultural Development Project	9 997 308	3 477 865 (NG) 980 800 (B)	4 330 000 (GEF/LDCF) 9 997 315 (IDA)	28 783 288
WAMPP	5 523 000	1 545 000 (LP)	12 000 000 (OFID) 2,825,000	38 958 000

Approach paper

Background

1. For completed investment projects financed by IFAD, its Independent Office of Evaluation undertakes: (i) validation of project completion reports (PCRs) for all projects, based on a desk review of PCRs and other documents; and (ii) project performance evaluations (PPEs) involving country visits for a number of selected projects (about ten in a given year).

2. A PPE is conducted after a desk review of the PCR and other available documents, with the aim of providing additional evidence on project achievements and validating the conclusions of the PCR. In general terms, the main objectives of PPEs are to: (i) assess the results of the project; (ii) generate findings and recommendations for the design and implementation of ongoing and future operations in the country; and (iii) identify issues of corporate, operational or strategic interest that merit further evaluative work.

3. The Rural Financial Intermediation Programme (RUFIP) in the Kingdom of Lesotho (implemented between 2008 and 2015) has been selected for a Project Performance Evaluation to be undertaken by IOE in 2017. This approach paper presents the overall design of the PPE, including the evaluation objectives, methodology, processes and timeframe. The evaluation framework presented in annex I provides a summary of the evaluation criteria and key questions that will be used in conducting the evaluation.

Programme overview

4. Programme area. The Kingdom of Lesotho is a mountainous and landlocked country which is surrounded by the Republic of South Africa. It covers about 30,366 square kilometers and over 80 per cent of its land area lies above 1,800 meters.[1] Out of the total land mass, only 25 per cent has agricultural potential. The estimated total population in 2017 is 2.18 million,[2] which compares to the 2006 census population of 1.87 million. 43 percentage of the population living below US$1.25 per day in 2010 and about 29.1 per cent[3] of the population were vulnerable to food insecurity.

5. The RUFIP as a whole has a national scope but interventions at field-level were weighted differently in all the ten districts. To facilitate the outreach of the Lesotho Post Bank, an analysis was conducted to identify the districts where the credit facilities would be offered at the first place as “pilot exercise”. Based on the experience gained, other branches of the Lesotho Post Bank would be covered. Regarding the development of rural finance enabling environment, capacity-building activities would start at the head offices of the partnering institutions and thereafter expanded to their district offices and branches.

6. Programme objectives. The overall goal of RUFIP was to alleviate poverty, increase income and contribute to the overall economic development. Its objective was to enhance access of the rural poor to efficient financial services on a sustainable basis that could be measured in terms of poor rural households accessing financial services, the number of new deposit accounts and loans granted, the product range offered by the participating financial institutions, the profitability of the financial services, and the impact on reduced transaction costs. To achieve this, the programme would also support the development of an enabling policy and institutional framework to facilitate the efficient and sustainable provision of rural financial services and promote competition.

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[1] Lesotho is the only independent state in the world that lies entirely above 1,000 meters in elevation. Its highest point is Thabana Ntlenyana, standing at 3,482 meters and the lowest point is the junction of the Senqu (Orange) and Makhaleng rivers, sitting at 1,388 meters.
[2] http://www.worldometers.info/world-population/lesotho-population/, accessed on 1 March 2017.
[3] Household Budget Survey 2002-2003, Bureau of Statistics (BoS). Kingdom of Lesotho.

7. Target group and targeting approach. The Appraisal Report stated that the target groups were primarily the poor rural households with at least one household member having actual or potential capacity to generate income through on- and/or off-farm economic activities. This included poor small-scaled producers engaged in crop and /or livestock production with some marketable surplus, the rural poor who may receive remittances from household members or relatives, landless households with sporadic wage employment opportunities, female headed households, and unemployed youth. At the project design, it was estimated that about 144,000 households or about 720,000 constituted the primary target group.

8. Programme components. The programme was structured around four components outlined below:

(i) Development of member-based financial institutions. The component aimed at enhancing the financial intermediation of member-based financial institutions, including formal, semi-formal and informal ones to satisfy the demand for grassroots financial services. It had three sub-components: (a) capacity-building of financial cooperatives; (b) capacity-building of Rural Savings and Credit Groups (RSCGs); and (c) capacity-building of informal financial groups. At project design, it was estimated that US$2.1 million would be spent on this component, accounting for about 20 per cent of the total programme cost. Without major change on the budget allocation to this component, the percentage was increased to 34.3 per cent at completion (as table 1 shows).

(ii) Development of formal financial institutions for rural outreach. The objective of this component was to enhance access of the economically active rural population to financial services, particularly in terms of credit. This component consisted of two subcomponents: (a) capacity-building of Lesotho Post Bank; and (b) linkage programme. Sub-component “a” was designed to be achieved through three different activities: Institutional upgrading, strengthening of operations, and market studies and product development. Subcomponent “b” was designed to create linkages between commercial banks and financial groups and cooperatives. The initial programme cost for this component was US$3.36 million, constituted of 33 per cent of the total programme cost baseline. This had fallen to 20.4 per cent at project completion.

(iii) Development of an enabling environment (for rural and micro finance). The objective of the component was to develop an enabling environment in which sustainable and efficient rural/micro finance services were going to be provided. It had four sub-components: (a) capacity-building for the department of cooperatives; (b) capacity-building of the Central Bank of Lesotho; (c) capacity-building of the service providers recruited; and (d) policy dialogue on conductive framework conditions. At the programme design phase, it was estimated that US$3.1 million would be allocated to this component. The actual cost attributed to this component decreased from 30 per cent to 12 per cent at completion.

(iv) Programme coordination. This component was divided into two sub-components: Programme coordination and monitoring and evaluation. The programme management was in charge of all management and coordination aspect of RUFIP.[4] The monitoring unit oversaw collecting relevant data on activities, outcomes and impact of the participating institutions. It was proposed that US$1.8 million would be spent on programme management and

[4] Annual Work Plan and Budgets, mid-term reviews, and reporting and gender mainstreaming.

coordination. The actual cost for this component rose from 17 per cent to 30 per cent.

9. Project financing. The total cost of the programme was estimated at US$10.7 million, to which IFAD contributed to US$8.7 million, representing 81 per cent of total cost. 50 per cent of IFAD financing was in the form of loans on highly concessional terms[5] and the balance as grant. The programme budget and actual cost are shown in table 1 below consolidated for all four components. However, it was noted that (i) the cost data was only available in Lesotho Loti (LSL) in all project documents; and (ii) the programme cost estimates vary somewhat among different documents.

Table 1
Project financing by component as stated in the project completion report[a]

Component		IFAD loan/grant		Government of Lesotho		Total			
		Appraisal (US$)	Actual (LSL)	Appraisal (US$)	Actual (LSL)	Appraisal[b] (US$)	%	Actual (LSL)	%[c]
(i)	Development of member-based financial institutions	1 659 284	33 340 746	233 599	4 698 161	2 148 330.9[d]	20.0	38 038 906	34.1
(ii)	Development of formal financial institution for rural outreach	2 670 388	19 467 677	447 575	3 108 623	3 607 992.9[e]	33.6	22 576 300	20.2
(iii)	Development of an enabling environment for rural finance	2 824 030	13 893 164	314 029	361 058	3 147 571.4	29.4	14 254 222	12.8
(iv)	Project management	1 534 277	22 015 535	285 606	14 674 115	1 819 883.4	17.0	36 689 469	32.9
Total		8 687 978	74 276 224	1 227 745	19 004 128	10 723 778	100	111 558 897	100

[a] Figures are provided in Maloti terms as available financial data were only provided in Maloti in the project documentation. Figures do not reflect LSL deflation against US$ dominated loan. At project appraisal, 1 US$ equivalent to 7 LSL; at project completion, 1 US$ equivalent to 12.5 LSL.

[b] Table 2 of Appraisal Report indicated that both Lesotho Post Bank and the beneficiaries were supposed to provide a contribution of 490,030 and 264,960 which did not materialize.

[c] Percentage of actual expenditures for each component to the total actual project cost. Data in this column was re-calculated to replace the error in the PCR report.

[d] The estimated cost for component (i) included a contribution of US$255,447 from the project beneficiaries.

[e] The estimated cost for component (ii) included a contribution of US$490,030 from the Lesotho Post Bank and US$9,513 from the beneficiaries at project appraisal.

Note: Project cost by component was presented in US$ for appraisal and in LSL for actual expenditure, respectively. Data retrieved from the Appraisal Report (2007) and the PCR (2015).

10. Timeframe. For financing RUFIP, the IFAD Executive Board approved on 12 September 2007 a loan in the amount of SDR 2.85 million (equivalent to US$4.35 million) and a grant in the amount of SDR 2.85 million (equivalent to US$4.35 million). The programme financing agreements (for both the loan and the grant) were signed on 8 October 2007 and became effective on 31 March 2008. The programme was completed on 31 March 2015 and the loan and the grant closed on 30 September 2015 as per schedule. At the time of the project completion, the disbursement rate was 91 per cent both for the loan account and grant account.[6]

[5] In accordance with the Policies and Criteria for IFAD financing, a loan approved on highly concessional terms was free of interest but bearing a service charge of three fourths of one per cent (0.75 per cent) per annum and having a maturity period of 40 years, including a grace period of 10 years.
[6] At project completion, the disbursed amount for the loan and grant were SDR 2,604,113 and SDR 2,602,833, respectively.

11. Implementation arrangements. At the time of project appraisal, the overall responsibility of programme management and coordination was entrusted to the Ministry of Finance and Development Planning, especially its Department of Private Sector Development and Financial Affairs in its capacity as Lead Programme Agency.[7] Particularly, as stipulated in the loan agreement, the MOFDP shall be responsible for policy and strategy formulation and implementation in relation to the development of rural and microfinance sector. The responsibilities of daily coordination, financial management and monitoring and evaluation were delegated to the programme coordination unit (PCU) established by the MOFDP.

12. The principal implementing agencies included the Central Bank of Lesotho, the Department of Cooperatives, Lesotho PostBank and the Ministry of Agriculture and Food Security (MAFS) with most programme activities sub-contracted to service providers. Moreover, it was planned that the programme coordination will be guided and assisted by two committees, namely the existing Financial Sector Steering Committee and a Programme Coordination Committee[8] to be established by MOFDP. The Financial Sector Steering Committee would provide oversight and policy guidance, ensuring effective coordination between relevant initiatives in the financial sector. The Programme Coordination Committee would be responsible for providing implementation oversight and support to ensure the effective implementation of the programme.

13. Supervision arrangements. The Programme was directly supervised by IFAD from the first supervision mission that was fielded in November 2008. During the implementation period from 2008 to 2015, a total of nine supervision and implementation support missions were undertaken.

14. Adjustments during implementation. The Programme experienced changes in terms of project management and governance structures. For instance, initially it was planned that the MOF took over the responsibility of procurement which was approved to be less feasible due to the difficulty of aligning the procurement procedures of IFAD and the MOF. As a solution, a full-time Procurement Officer was recruited by the project to facilitate the procurement issues. Another reflection of changes is the project oversight responsibilities were removed from the Programme Coordination Committee and assigned to the Financial Sector Steering Committee, in order to minimize a potential conflict of interest.

15. Amendments to the financing agreement. There were no amendments to the financial agreement of RUFIP, as stated in the project completion report.

PPE objectives and scope

16. PPE objectives. The main objectives of the evaluation are to: (i) provide an independent assessment of the overall results and impact of the programme; and (ii) generate findings and recommendations to guide the Government and IFAD regarding the ongoing and future development programmes in Lesotho.

17. Scope. In view of the time and resources available, the PPE is generally not expected to undertake quantitative surveys or to examine the full spectrum of project activities, achievements and drawbacks. Rather, it will focus on selected key issues deserving further investigation (see section IV). The PPE will take account of the preliminary findings from a desk review of PCR and other key project documents and interviews at the IFAD headquarters. During the PPE mission, additional evidence and data will be collected to verify available

[7] During the project implementation, the MOFDP was restructured into two ministries. The programme was under the administration of the Ministry of Finance since then.

[8] The Programme Coordination Committee was designed to be consisted of executive members from implementing and collaborating institutions. It would be chaired by the Chief Executive of the PSDFA with the Programme Coordinator severing as the Secretary.

information and reach the independent assessment of performance and results.

18. Theory of change (TOC). The TOC of a project depicts the causal pathways from project outputs to project outcomes, i.e., through changes resulting from the use of those outputs made by target groups and other key stakeholders towards impact. The TOC further defines external factors which influence change along the major impact pathways. These external factors are assumptions when the project has no control over them, or Drivers of Impact when the Project has certain level of control. Analysis in this evaluation will be assisted by the construction of the TOC as presented in Annex I to assess the extent to which the RUFIP's goal and objectives were effectively achieved. The TOC would be revised during the evaluation process, as needed.

Key issues for this PPE

19. A PPE is a project evaluation with a limited scope and resources. As such, PPEs are not expected to investigate all activities financed under the project or to undertake in-depth impact assessment. Based on initial desk review, key issues to be reviewed are presented below. These may be subject to change based on emerging findings from the main evaluation mission.

(i) Relevance of the programme design. Realistic and relevant project design is essential for the successful implementation of a given programme. When the programme was designed, access to financial services in Lesotho was recognized as an integral part of the national development priorities, as stated in the Poverty Reduction Strategy 2004/2005 – 2006/2007 launched by the Government of Lesotho. RUFIP was built on two foundations. The first was the IFAD Rural Finance Policy (2000),[9] which places a crucial focus on domestic resource mobilization[10] and sustainable institution building.[11] The second foundation was the Rural Finance & Enterprise Support Project (RF&ESP), financed by IFAD and implemented in Lesotho between 1993 and 2001. However, available project documentation indicated that various issues emerged during the programme implementation phase which resulted in the extremely slow disbursement rates and limited outcomes. In this regard, the PPE will seek to answer three related questions:

- Were the foundations of RUFIP actual or putative?
- Were RUFIP objectives realistic considering the national capacity at the time of project design?
- Did the RUFIP design sufficiently take into consideration of the potential risks that might be emerged during the implementation?

(ii) Effectiveness. The PCR recognized the contribution of RUFIP on the capacity development of Lesotho Post Bank on rural inclusive finance services. Nevertheless, it concluded that "the Lesotho Post Bank never effectively served the rural poor". In terms of development of member-based financial institutions (MBFIs), only the development of VSLAs and SILCs, facilitated by CARE and Catholic Relief Services turned to be "crucial". In assessing the effectiveness of RUFIP, the evaluation team will conduct a differentiated analysis to compare the performance of RUFIP supported and unsupported MBFIs, as well as compare by types of MBFIs and supporting agency. Moreover, it would explore, inter alia, the following questions:

[9] IFAD Rural Finance Policy was approved by the Executive Board on its Sixty-Ninth Session in May 2000. It was later replaced with an updated IFAD Rural Finance Policy in 2009.
[10] Domestic resource mobilization is of crucial importance" (para.12, Rural Finance Policy 2000).
[11] Building a differentiated rural financial infrastructure with diverse strategies; enhancing institutional sustainability, with outreach to the rural poor; promoting a conducive policy and regulatory environment (Para.13, Rural Finance Policy 2000).

- Has the programme indeed contributed to improving the access to financial services by the rural poor?
- To what extent the programme has actually contributed to building and strengthening sustainable institutions such as MBFIs, non-bank financial institutions, and banks (e.g. Lesotho PostBank)?
- Whether and how these institutions have reached the rural poor, alleviated poverty, increased income and led to overall economic development?

(iii) Project management cost ratio. At project appraisal, it was estimated that the cost for project management and monitoring would be about US$1.8 million,[12] accounting for 17 per cent of the total baseline cost. This figure was increased to 33.2 per cent (see table 1 above) at project completion, which was even higher than the expenditures for two out of the other three project main components and also much higher than that of other IFAD-financed projects.[13] The evaluation team will pay particular attention to this issue by identifying the main reasons for the increase of the project management cost and using other IFAD-financed projects in Lesotho and/or similar types of IFAD financed projects in general as the benchmark. The key findings on this issue will inform the lessons generated from RUFIP.

(iv) Monitoring and Evaluation (M&E) system and project impact. The project supervision reports have had repeatedly reported the weakness of the programme's M&E system. This was also reflected by the scarcity of data on results and impact as was recognized in the project completion report. A client impact study was conducted at project completion. The evaluation team will explore the reasons for a weak M&E system, especially considering the capacity of the programme coordinator as an M&E specialist. Furthermore, it will also validate the findings of the client impact study and conclusions in the project completion report through more qualitative methods (e.g. direct observation, interviews with households and focus groups) during the mission.

(v) Sustainability of programme benefits. The programme identified MBFIs and banks as key institutional vehicles for ensuring continued access to rural financial services. Among different aspects of sustainability, the PPE will pay attention to institutional impact on financial service providers (i.e. Lesotho PostBank and participating MBFIs) and influence on their strategy and business plans, and the positioning of microfinance services in their lending portfolios. The evaluation will seek to address one core question: would the project benefits likely be sustained without further programme interventions?

Semi-standardized instruments, including questionnaires with focus on project outcomes will be developed to facilitate the interviews with Lesotho Post Bank, selected MBFIs, Department of Cooperatives, CARE and Catholic Relief Services. Moreover, additional data on time series outreach and performance data will be collected from the concerned institutions to enable the evaluation team to conduct ratio analysis. Take Lesotho Post Bank as an example, its sustainability will be measured predominantly in terms of return on assets and return on equity, income to expenditure ratios, repayment rates, etc. During the assessment, attention will be paid to the conflict between the profitability of the Lesotho Post Bank and the

[12] It equivalent to LSL 11,875,140 at the project appraisal.
[13] For the majority of IFAD-financed projects, the cost for project management accounts for about 10 per cent to 12 per cent of the total project cost.

requested rural credit outreach and linkages.

(vi) RUFIP and IFAD positioning in rural and microfinance sector. The RUFIP aimed at developing a sound enabling environment for micro/rural finance, including policy support and capacity-building of the Department of Cooperatives, Central Bank of Lesotho and Ministry of Agriculture and Food Security. Developing an enabling environment by the Central Bank of Lesotho was to include a policy and regulatory framework for non-bank financial institutions. When the project was completed, the new non-bank financial institution (NBFI) regulatory framework was put in place but yet to be implemented. The PPE will seek to assess the contribution of RUFIP in developing the NBFI regulatory framework and to what extent the policy, at the time of the PPE, had been operational and effective.

Methodology

20. The PPE exercise will be undertaken in accordance with the IFAD Evaluation Policy (2011) and the second edition of IFAD Evaluation Manual (2015). Analysis in the PPE will be assisted by a review of the theory of change of the project.

21. Evaluation criteria. In line with the agreement between IOE and IFAD Management on the harmonized definitions of evaluation criteria in 2017,[14] the key evaluation criteria applied in PPEs in principle include the following:

(i) Rural poverty impact, which is defined as the changes that have occurred or are expected to occur in the lives of the rural poor (whether positive or negative, direct or indirect, intended or unintended) as a results of development interventions. Four impact domains are employed to generate a composite indication of rural poverty impact: (a) household income and assets; (b) human and social capital; (c) food security and agricultural productivity; and (d) institutions and policies. A composite rating will be provided for the criterion of "rural poverty impact" but not for each of the impact domains.

(ii) Relevance, which assesses the extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, institutional priorities and policies. It also entails an assessment of project design, coherence in achieving its objectives, and relevance of targeting strategies adopted.

(iii) Effectiveness, which measures the extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.

(iv) Efficiency, which indicates how economically resources/inputs (e.g. funds, expertise, time, etc.) are converted into results.

(v) Sustainability of benefits, indicating the likely continuation of net benefits from a development intervention beyond the phase of external funding support. It also includes an assessment of the likelihood that actual and anticipated results will be resilient to risks beyond the project's life.

(vi) Gender equality and women's empowerment, indicating the extent to which IFAD interventions have contributed to better gender equality and women's empowerment, for example, in terms of women's access to and ownership of assets, resources and services; participation in decision making; work loan balance and impact on women's incomes, nutrition and livelihoods.

[14] IFAD (2017). Agreement between IFAD Management and the Independent Office of Evaluation of IFAD on the Harmonization of IFAD's Independent Evaluation and Self-Evaluation Methods and Systems Part I: Evaluation Criteria. EC 2017/96/W.P.4.

(vii) **Innovation**, assessing the extent to which IFAD development interventions have introduced innovative approaches to rural poverty reduction.

(viii) **Scaling up**, assessing the extent to which IFAD development interventions have been (or are likely to be) scaled up by government authorities, donor organizations, the private sector and other agencies.

(ix) **Environment and natural resource management**, assessing the extent to which IFAD development interventions contribute to resilient livelihoods and ecosystems. The focus is on the use and management of the natural environment, including natural resources defined as raw materials used for socioeconomic and cultural purposes, and ecosystems and biodiversity – with the goods and services they provide.

(x) **Adaptation to climate change**, assessing the contribution of the project to reducing the negative impacts of climate change through dedicated adaptation or risk reduction measures.

(xi) **Overall project achievement**, providing an overarching assessment of the intervention, drawing upon the analysis and ratings for all above-mentioned criteria.

(xii) **Performance of partners (IFAD and the Government)**, assessing the contribution of partners to project design, execution, monitoring and reporting, supervision and implementation support, and evaluation. The performance of each partner will be assessed on an individual basis with a view to the partners expected role and responsibility in the project life cycle.

22. Among the standard evaluation criteria mentioned in the above paragraph, based on the preliminary review of the project documents and PCR, the criteria for “environment and natural resource management” and "adaptation to climate change" may not be rated unless the PPE mission reveals any relevant programme contribution worthwhile noting – positive or negative – in this regard. It is also noted that at the time the programme was designed, there was no specific attention of this agenda.

23. **Rating system.** In line with the practice adopted in many other UN agencies and international financial institutions, IOE uses a six-point rating system, where 6 is the highest score (highly satisfactory) and 1 being the lowest score (highly unsatisfactory).

24. **Data collection.** Initial findings from the desk review indicated that the limitation with data availability (especially at the levels of outcomes and impact) and reliability is always an issue for this programme. The Results and Impact Management System (RIMS) reports produced by the project are only available from 2011 to 2015, with limited indicators. Data are largely missing in terms of the performance of Lesotho Post Bank and MBFIs, making it difficult to assess their institutional and financial sustainability. In this regard, additional data will be collected during the main evaluation mission through various data collection methods. The following methods will be employed:

a) In-depth individual interviews with representatives of stakeholders and service providers. These include government representatives from the concerned ministries (Ministry of Finance, Department of Cooperatives, etc.), programme staff, Central Bank of Lesotho, Lesotho Post Bank, Standard Lesotho Bank, and representatives of CARE and Catholic Relief Services.

b) Collection of time series outreach and performance data of Lesotho Post Bank.

c) Collection of MBFI linkage data from linkage banks (Lesotho Postbank, Standard Lesotho Bank, and others if any).

d) Collection of outreach and performance data of MBFIs from CARE, Catholic

Relief Services, Department of Cooperatives and others, to the extent available.

e) Focus group discussions with MBFIs ((village savings and loan associations, savings and internal lending communities, rural savings and credit groups, and financial cooperatives) in selected districts, using semi-standardized instruments. Participants will be identified in consultation by their respective promoting agencies, such as CARE and Catholic Relief Services, and Department of Cooperatives.

f) Household interviews with participants and/or members of MBFIs will be another source for the evaluation team to capture information on the programme's impact on rural poverty.

25. Stakeholders' participation. In accordance with IFAD Evaluation Policy, the main project stakeholders would be involved throughout the PPE process. This will ensure that the key concerns of the stakeholders are taken into account, that the evaluators fully understand the context in which the programme was implemented, and that opportunities and constraints faced by the implementing institutions are identified. Regular interaction and communication will be established with the East and Southern Africa Division (ESA) of IFAD and with the Government of Lesotho. Formal and informal opportunities will be explored during the process for discussing findings, lessons and recommendations.

Key features of selected member-based financial institutions[a]

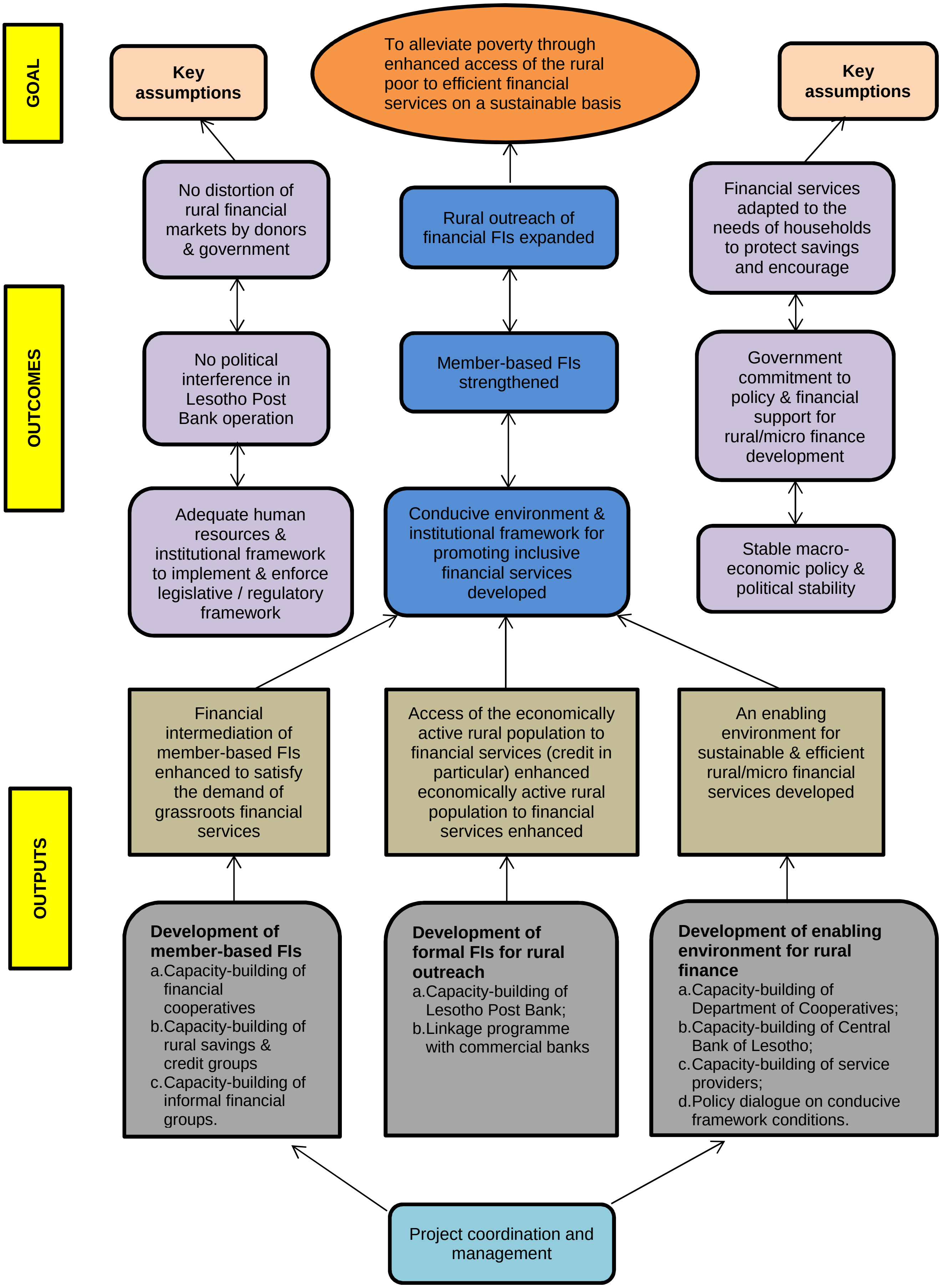
Type one – Savings Groups (SG/Village Savings and Loan Associations (VSLAs)	
SGs/VSLAs	In 1991 CARE launched the first VSLA in Niger, a facilitated form of indigenous savings groups. With support from bilateral and multilateral donors, the VSLA model has been taken up by INGOs as a crosscutting strategy in large numbers of local projects with different objectives. Some INGOs have used their own brand names, e.g., AKF: Community-based savings groups (CBSGs); CRS: Savings and internal lending communities (SILCs); OXFAM: Saving for change groups (SfCs). To simplify the terminology, INGOs in the SEEP network agreed on Savings Groups (SGs) as a generic name; however, SGs and VSLAs tend to be exchangeable at international and national levels. Data by facilitating agency, project and country can be accessed at http://www.thesavix.org/, a data bank for SGs/VSLAs.
Membership	VSLAs usually have 15-30 members; the average for Africa is 22.4[b]
Regulation	Informal groups[c]
Products and services	The length of the cycle of a VSLA is typically one year, by which all loans must be repaid and all savings redistributed together with their share of interest. This distribution is called share-out. After the share-out, members can leave and new members may join the group; but overall, groups tend to be rather stable. Saving: • Saving is obligatory; savings are pooled and lent to group members (in response to excess demand frequently in a rotating order). • Deposits are weekly, biweekly or monthly, with all members saving up to five times the “share” agreed upon at the start of the cycle. • VSLAs distribute all savings together with the interest earnings among members at the end of the cycle. The interest is distributed in proportion to the amount saved. Credit: • Loan repayments are collected and new loans disbursed at regular meetings. • Interest is charged on loans. Loan periods are typically short (1 – 3 months), interest rates, which are decided by the members, vary, but tend to be set at 10 per cent per month (mostly on the declining balance, but may also be charged as a flat rate). • Penalties are charged on late payments. • All loans must be repaid by the end of the cycle.
Management	Autonomous, based on initial training by the facilitating NGO or cooperating local agents.
Other	There have been recent observations of SGs/VSLAs transforming or merging into SACCOs. Linkages with banks (distinguishing between savings linkages and credit linkages) have spread in recent years, propagated by Banking on Change, a program jointly developed in 2009 by CARE, Barclays Bank and Plan. This has been preceded by Linking Banks and Self-help Groups, a scheme supported since the late 1980s by GTZ/GIZ in Asia and Africa in cooperation with APRACA and AFRACA, reaching 100 million members in India alone.

Geographic coverage	11 million members in 73 countries as of April 2015, 88 per cent in Africa, but spreading increasingly to other parts not only of the developing world; SGs/VSLAs are also found among immigrants in many North American cities.

[a] This annex is prepared based on IFAD Toolkit and written inputs provided by Dr Hans Dieter Seibel. RSCGs are not included in the table, given the limited presence in Lesotho.
[b] Data retrieved from the SAVIX on 22 June 2017.
[c] In some cases, they may be registered, for instance, with the sub-county in Uganda.
[d] Jeffrey Ashe & Kyla Jagger Neilan. In Their Own Hands: How Savings Groups are Revolutionizing Development, San Francisco.

Type two – Savings and Credit Cooperatives (SACCOs)	
Origin	Savings and credit cooperatives originated in Germany around 1850 as self-help groups, keeping government at bay. They formed associations and apex organizations, were given legal status under the first savings and credit law in 1867 and eventually (1934) evolved into cooperative banks. They spread widely throughout the developed and developing world, e.g., to India and Burma in 1904. Rural credit cooperatives are widely associated with Friedrich Wilhelm Raiffeisen as their founder.
Membership	Each member purchases one or more shares and has one vote. Rural SACCOs are likely to have between 50 and a few hundred members, although in the case of national cooperatives and cooperative banks, they can have significantly more members. Rural SACCOs focus on a village, a group of neighbouring villages or a segment of a village. Members often meet regularly. They have annual member meetings; small local cooperatives may meet more often. Board members and committees meet quarterly or monthly.
Regulation	They may be registered under cooperatives or credit union laws, and licensed as non-bank financial institutions (NBFIs) or cooperative banks, depending on the legal framework and the size and sophistication of the SACCO. They may also be supervised by regional or national auditing apex organizations.
Products and services	Savings Savings are voluntary though cases of compulsory savings have also been observed. • There may be set rules for savings withdrawals, although members may be able to withdraw funds at short notice. • Interest can be received on deposits and a divided is usually paid out of the SACCOs surplus. Credit • Interest is charged on members' loans – if this generates a surplus for the SACCO, part of this surplus can then be returned to savers either as a dividend or as interest on deposits, while the remaining surplus may be reinvested back into the SACCO.
Management	There is at least one paid part-time manager and an elected management committee and support is provided by an elected credit committee and a supervisory committee.
Geographic coverage	Significant presence throughout the developed and developing world

RUFIP theory of change



List of key persons met

Government

Mr Tom Mpeta, Principal Secretary, Ministry of Finance

Mrs Maseeiso Lekholoane, Director, Department of Private Sector Development, Ministry of Finance

Ms Florence Motseoa Mohasoa, Coordinator – Financial Inclusion Programming, Department of Private Sector Development, Ministry of Finance

Ms Mathoriso M. Molumeli, Director, Department of Planning and Policy Analysis, Ministry of Agriculture and Food Security

Mr Ntitia Tuoane, Director, Department of Field Service, Ministry of Agriculture and Food Security

Mrs Maphamoli Lekoetje, Cooperatives Commissioner, Department of Cooperatives, Ministry of Small Business Development, Co-operatives and Marketing

Ms. Majames Makepe – Cooperative Officer, Ministry of Small Business Development, Co-operatives and Marketing

Ms. Mazanele Sello, Principal Cooperative Officer, Ministry of Small Business Development, Co-peratives and Marketing

Mr. Palo Mohapi, Cooperative Officer, Ministry of Small Business Development, Co-peratives and Marketing

Dr Masilo Makhetha, First Deputy Governor, Central Bank of Lesotho

Mr. Bafokeng Noosi, Head Non-Bank Financial Institutions Division, Central Bank of Lesotho

Mr. Mokotjo Mphaka – Director, Supervision Department, Central Bank of Lesotho

International and donor institutions

Mrs. Mabulara Tsuene, Support to Financial Inclusion in Lesotho, Programme Coordinator, UNDP

Non-governmental organizations and associations

Mr Ntsie Edwin Tlale, SILC Programme Manager, Catholic Relief Services

Mr Ehsan Rizvi, Livelihood Programme Manager, Catholic Relief Services

Ms Monehela Tau, Monitoring, Evaluation, Accountability & Learning (MEAL) Officer, Catholic Relief Services

Mr Bokang Mokhothu, Technical support officer, Caritas

Ms Malintle Matlakeng, President, Care for Basotho

Mr Skoala Molapo, Domestic Investment Promotion Officer, Lesotho National Development Corporation

Private sector

Mr Mpho Vumbukani, Chief Executive Officer, Standard Lesotho Bank

Mr Molefi Leqhaoe, Managing Director, Lesotho Post Bank

Mr Themba Sopeng, Head of Credit, Lesotho Post Bank

Mr Polao Maanela, Credit Manager, Lesotho Post Bank

Ms Nthabeleng Lesupi, Branch Manager, Lesotho Post Bank

Ms Refiloe Lehohla, Corporate Secretary, Lesotho Post Bank

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