



African Rural and Agricultural Credit Association (AFRACA), Africa

Ex-post evaluation 2009 – Brief Report

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This report was produced by independent external experts.
It reflects only their opinion and assessment.

Eschborn, May 2010

Tabular overview

The evaluation mission

Evaluation period	August-November 2009
Evaluating institute / consulting firm	AGEG Consultants eG
Evaluation team	Michael Steidl (international), Olivier Pierard (international, mission to Burkina Faso), Mawuna Lawson (national, Burkina Faso), Beatrice Sabana (national, Kenya)

The development measure

Title according to the offer	African Rural and Agricultural Credit Association (AFRACA)
Number	1998.2115.8
Overall term broken down by phases	Phase I: 01/1992-12/1994 (3 years) Phase II: 07/1996-06/1998 (2 years) Phase III: 01/1999-12/2004 (6 years)
Total costs	€ 3.878.000 total amount (€ 1.976.000 GTZ contribution)
Overall objective as per the offer, for ongoing development measures also the objective for the current phase	AFRACA is established as an innovatively operating rural and agricultural credit association in Africa. (Objective of Phase III) The access of the rural population in the countries of the member organisations to adjusted financial services as well as the capacity of financial institutions to provide these services is sustainably improved. (Overall objective)
Lead executing agency	None
Implementing organisations (in the partner country)	African Rural and Agricultural Credit Association, AFRACA, Nairobi, Kenya
Other participating development organisations	International Fund for Agricultural Development (IFAD), Food and Agriculture Organization of the United Nations (FAO)
Target groups as per the offer	The rural population in the African countries of the

	member organisations
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The rating

Overall rating <i>On a scale of 1 (very good, significantly better than expected) to 6 (the project/program is useless, or the situation has deteriorated on balance)</i>	4
Individual rating	Relevance: 3; Effectiveness: 4 ¹ ; Impact: 4; Efficiency: 4; Sustainability: 3

Economic reforms, structural adjustment programmes, and economic stimulus measures have changed the political and economic parameters in many African countries since the 1980s. The gap in the rural financial market caused by the closure of state banks and (agricultural) development banks could thereafter only be closed insufficiently. In order to approach the problematic provision of the rural population with financial services in a cooperative and transboundary way, without neglecting the specifics of the African context, the African Rural and Agricultural Credit Association (AFRACA) was founded in 1977. AFRACA's members are central banking authorities, public institutions, commercial banks, development banks, microfinance institutions, and different networks, scattered over the African continent, which constitute a wide range of actors in the rural financial system.

The ex-post evaluation at hand examines the GTZ project *African Rural and Agricultural Credit Association* (AFRACA), implemented in three phases between January 1992 and December 2004. The ex-post evaluation was conducted by AGEG Consultants eG, Kirchheim/Teck, between August and November 2009. The evaluation team consisted of Mr. Michael Steidl (international expert), Mr. Olivier Pierard (international expert for the mission in Burkina Faso), Mr. Mawuna Lawson (national expert, Burkina Faso), and Ms Beatrice Sabana (national expert, Kenya).

For the evaluation of the project, on the one hand, the experts referred to the relevant documents. On the other hand, two field missions were conducted: One mission to Kenya, where meetings with AFRACA were held and the documents available at AFRACA (publications, annual accounts, official documents) were analysed. The other mission was an exemplary visit to the *Linkage Banking Project* implemented in Burkina Faso in order to find relevant data concerning the implementation of an innovative approach. In a final step, a

¹ See Annex 1

questionnaire was developed to examine the opinion of AFRACA's members about the services of the association as well as their satisfaction with the offer. It should be pointed out, however, that the response rate of the questionnaire was very low, which was partly due to the low interest of the institutions in the survey, but also to the insufficient support from AFRACA.

While the emphasis during the first two phases of the project (1992-1998) was on the dissemination of so-called Linkage Banking approaches in single countries, the development measure focused on the institutional and technical-conceptual strengthening of AFRACA as well as its establishment as a forum for discussion and innovation during its third and last phase (1999-2004). The objective of the third phase was to establish AFRACA as an innovatively operating rural and agricultural credit association in Africa.

The Linkage Banking approach, which was in the focus as an innovative approach, envisages the establishment of financial relationships between formal financial institutions and self-help groups, while non-governmental organisations can be interlinked as mediators. Population groups in rural areas who do not yet have access or who only have limited access to formal financial services were identified as the target groups of the development measure. Women and adolescents received particular attention.

In order to successfully and sustainably achieve the objectives of the development measure, the project applied a multi-level approach: On the micro level, it focussed on product and service providers for end customers (i.a. Linkage Banking), on the meso level, it addressed the financial infrastructure (cross-linkage of institutions and people), and on the macro level, it intended to elaborate and establish favouring environmental parameters (e.g. in politics). The development-policy objectives of the project correspond with those of GTZ and the German Federal Ministry for Economic Cooperation and Development (BMZ): to combat poverty and to finance development. Furthermore, AFRACA has successfully integrated the partner organisations involved in all measures, which is proven by the participation of important personalities in different events as well as its increasing number of members. Since AFRACA's founding, its number of members has increased to almost 100, which not only exceeds the number of members of comparable networks worldwide, but also demonstrates the perceived relevance of the institution and the quality of the services offered. However, the promoted approaches – even though they were considered very promising in the 1990s – cannot be rated as current best practice (**satisfactory; rating: 3**).

Effectiveness²: With regard to the project objective, the establishment of AFRACA as an innovatively operating rural and agricultural credit association in Africa, the ex-post evaluation reaches the conclusion that the establishment of AFRACA as a provider of advanced training and as an information network can be considered as partly achieved. AFRACA's development and changes, initiated by the GTZ project, were designed as a holistic approach aiming at strengthening the partner institutions' capacity for decision-making and formulating directives. AFRACA was expected to be appropriately prepared for performing its tasks, and, in the same respect, to be supported efficiently and effectively, during project implementation. The successful realization of this approach becomes visible when looking at the manifold education and training programmes. But also the individual capacities of employees and member organisations, and thus the capacity of the institution itself have been strengthened and extended. The optimisation of the organisational and managerial structure of the General Secretariat has furthermore improved the institutional capacities. Moreover, in the framework of the development measure, all partners were guided towards the implementation of the Paris Declaration, a joint declaration of development banks and organisations as well as donor countries and partner countries, aiming at an enhancement of effectiveness in development cooperation and at rapid and effective poverty reduction.

The set-up of a monitoring and evaluation system can only be considered as partly achieved, which is not only due to the insufficient personnel and financial support of AFRACA, but also to the fact that the goals set were too ambitious. Finally, the Policy Advisory Group (an advisory board of AFRACA) can be considered as established and operational. Leading personalities and opinions are involved in this board which is in charge of the research, development, and dissemination of innovative approaches in the field of rural finance. However, its (research) efforts are of rather descriptive nature because no active dissemination of innovative approaches is promoted, even though this had been imposed on the board as an explicit task. **(unsatisfactory; rating: 4)**

As an exemplary case, this ex-post evaluation examined and assessed the implementation of the Linkage Banking approach in Burkina Faso. Especially in the country-specific context at the time (there were hardly any financial services for the rural population in Burkina Faso), the implementing partner institution could certainly be regarded as a pioneer of rural microfinance in Burkina Faso and West Africa. In the context of the evaluation, a sustainably enhanced access – although limited in its extent – to financial services for the rural

² See Annex 1

population as well as additional positive indirect results can be assumed. However, from a supra-regional perspective and from the perspective of the association, respectively, the majority of the Linkage Banking projects have to be considered as failed, as they rarely transcended the pilot phase.

The fact that AFRACA is a supra-regionally operating association makes it difficult to generally evaluate the impact of the project on an overarching level. On the one hand, the policy advice of the association can only be indirectly related to the improvement of the socio-economic situation in rural Africa. The results chain between the actions initiated by the association and the level of the rural population is too loose to clearly attribute the actual improvements in the provision of African small and micro enterprises with financial services to the activities of the association. On the other hand, the funds allocated for the creation of microfinance structures were spent in a geographically widespread area. Therefore, it can be stated that negative changes on the impact level cannot be assumed, however positive impact has only occurred to a minor extent. Since AFRACA has mainly acted as a mediator, this is accounted for by the design of the project, and, realistically, AFRACA's contribution to the achievement of the formulated indirect results cannot and could not be expected to be substantial and sustainable. On the basis of these insights, the evaluators can consequently only confirm the following with regard to the achievement of the project's impact: A positive impact can be weakly associated with AFRACA's activities (small and micro enterprises have sustainably better access to financial services, the capacities of the financial institutions to provide these services are enhanced, and poverty is reduced), but it is very difficult to plausibly verify this. Thus, only a very weak impact, if any, can be attested. **(unsatisfactory; rating: 4)**

While, as a consequence, the first two phases of the project were not marked by an efficient project implementation, an efficient use of funds was achieved in the third phase. Hence, it is evident that a better use of funds would have facilitated the generation of better direct results already in phase I and II. From a perspective oriented towards cost and benefit, it also has to be stated that the indirect results (small and micro enterprises have sustainably better access to financial services, poverty reduction) could certainly have been achieved in a better and more incisive way by means of bilateral, direct projects. However, the enhanced use of funds in the third phase led to a generally better cost-benefit ratio. **(unsatisfactory; rating: 4)**

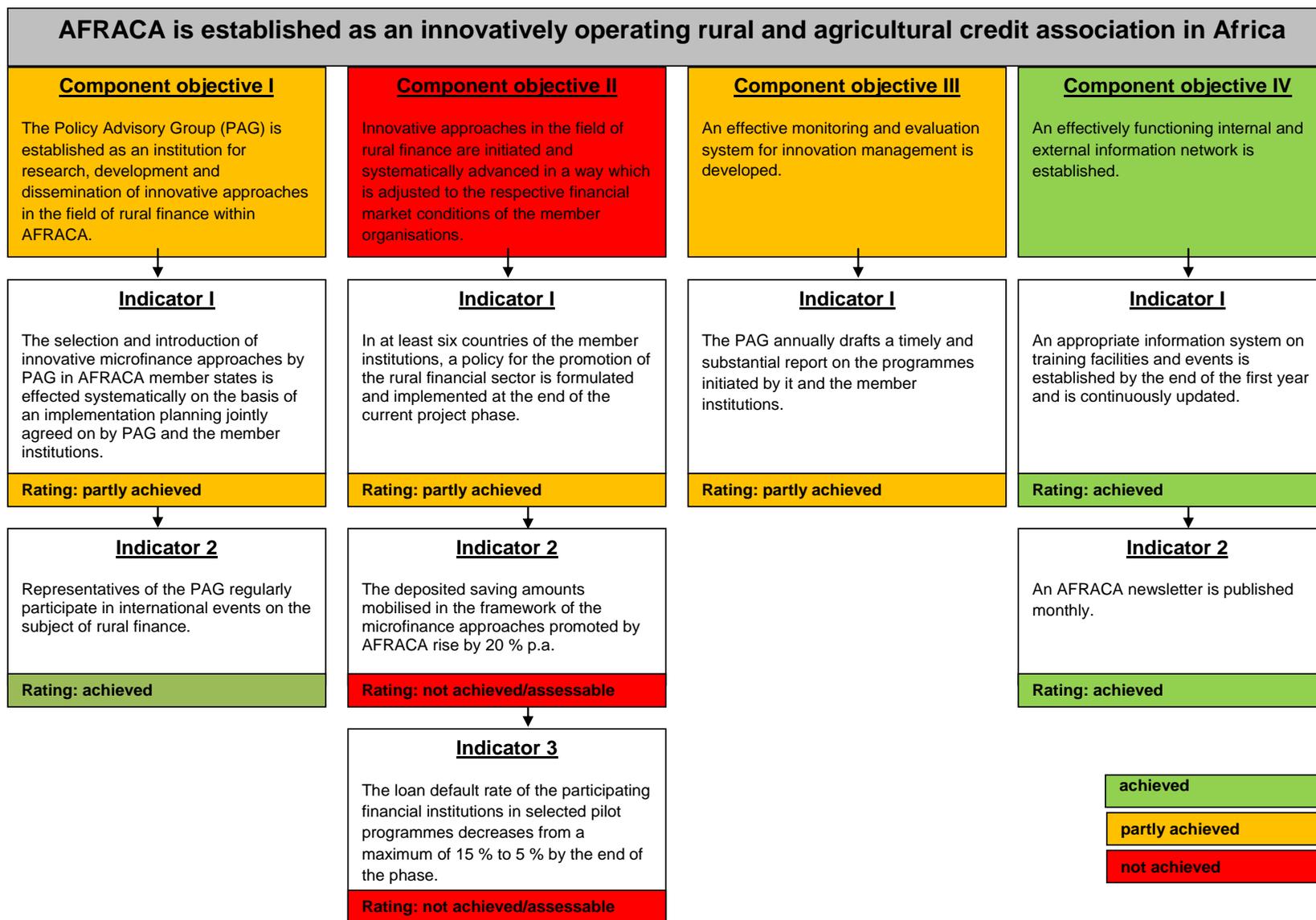
Due to the evolved relationship network between the employees of the numerous partner organisations, which continues existing also after the closure of the development measure, the sustainability of the GTZ project can be considered as given. Yet, since AFRACA as an

organisational unit incurs losses, its deficit budget was repeatedly provided by donor institutions, the Secretariat has not yet succeeded in making accessible new donor sources, and some members have left the association due to an increase in contributions (or were excluded due to arrears in payment), from a financial perspective, the sustainability of the project has to be rated as critical. This also directly affects the sustainability of the results, as a continuous existence of the platform AFRACA is not secured. **(satisfactory; rating: 3)**

The overall rating of the project is **4 (unsatisfactory)**, as this rating was applied for the efficiency as well as for the impact of the project.

It is recommended that, for future projects which aim at the establishment of international associations, GTZ should formulate more realistic objectives and results. If direct results are to be achieved on the target group level, it is recommended to rather cooperate with financial institutions that are closer to the target group.

Annex 1: Graphical display of the achievement of objectives according to indicators



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