

Liberia Final Evaluation

LIB/04/C01

Launch of an Inclusive Financial Sector in Liberia (2005 -2007)

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List of acronyms

ARC	American Refugee Committee
AROA	Adjusted return on assets
BIFSA	Building an Inclusive Financial Sector
BDS	Business Development Services
BRAC	Bangladeshi Rural Advancement Committee
CBL	Central Bank of Liberia
CDA	Cooperative Development Agency
CHF	Cooperative Housing Foundation
CORDAID	Catholic Organization for Relief and Development
CTA	Country Technical Advisor
CU	Credit Union
FSS	Financial sustainability
GDP	Gross domestic product
GoL	Government of Liberia
IFC	International Finance Corporation
ILO	International Labour Organization
LBDI	Liberian Bank of Development and Investment
LCUNA	Liberia Credit Union Association
LEAP	Liberia Enterprise Assistance Program
LIFS	Launch of an Inclusive Financial Sector in Liberia
MF	Microfinance
MFI	Microfinance Institutions
NBFIs	Non-bank financial institutions
NGOs	Non-Governmental Organizations
OSIWA	Open Society Institute West Africa
OSS	Operational sustainability
PAR	Portfolio at Risk
PRSP	Poverty Reduction Strategy Paper
PSD	Programme support document (UNCDF's Programme design document)
SMS	Short Message Service
ToR	Terms of Reference
TSP	Technical service provider
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNHCR	United Nations High Commission on Refugees
UNIFEM	United Nations Development Fund for Women
VS&Ls	Village Savings and Loan Groups

Programme Data Sheet

Country: Liberia

Programme Number: LIB/04/C01

Programme Title: Launch of an Inclusive Financial Sector in Liberia (2005 -2007)

Executing Agency: UNCDF

Implementing Agencies: UNCDF and UNDP, in cooperation with CORDAID

Programme duration: 2005-2007 (Extended by UNDP to 2008)

Start Date: March 2005

Total Programme cost: US \$ 1,250,000 and EURO 500,000

Financing

- CORDAID: Euros 500,000 (200,000 in grants, 300,000 in loans)
- UNCDF: US \$ 750,000
- UNDP: US \$ 500,000

Executive summary

Programme Goal and Objectives

The overarching goal of the UNCDF Liberia Programme LIB/04/C01, *Launch of an Inclusive Financial Sector in Liberia (2005 - 2007)* was to contribute to the achievement of the Millennium Development Goals, in specific the goal of cutting absolute poverty by half by 2015, by increasing sustainable access to financial services for poor and low-income people in Liberia. The Programme aimed to contribute to this goal by launching the development of a competitive and sustainable inclusive financial sector that provides access to financial services to poor and low-income people in general and micro and small businesses in particular. The timeframe of this Programme was 2.5 years, beginning around May 2005. There were four objectives: 1) Identify and fund potential microfinance institution leaders so that they can address weaknesses and improve sustainability; 2) build strategic partnerships with other donors and investors in order to leverage more investment in the sector and improve coordination among stakeholders; 3) fix policy and regulatory weaknesses via the formation of a microfinance (MF) Working Group in the Central Bank of Liberia (CBL); and 4) contribute to the adoption of sound MF principles among stakeholders.

Funding was provided by UNCDF, UNDP, and CORDAID, with in-kind contributions from the Government of Liberia, which housed the Programme Unit.

Evaluation Objectives

This document is the Final Evaluation of the UNCDF Liberia Programme. The evaluation took place during a two-week period in Liberia during November and December 2008. The general objectives of the final evaluation are: 1) to assist stakeholders in improving the efficiency, effectiveness, relevance and impact of the Programme; 2) to provide feedback to all parties to improve the policy, planning, Programme formulation, appraisal and implementation phases; 3) to ensure accountability for results to the Programme's financial backers, stakeholders and beneficiaries. The evaluation provides findings, lessons learned and recommendations which can be replicated to improve Programme performance in other countries and to guide the formulation and implementation of a second phase of the Programme in Liberia.

Programme Status

The Programme was approved in 2005, and initially funded in the amounts of US \$750,000 from UNCDF, US \$500,000 from UNDP Liberia, and 500,000 Euros (approximately US \$665,000) from CORDAID. Recruitment began for staff in 2006, but the post of Country Technical Advisor (CTA) was not filled until late 2006. The CTA began work in Liberia in January 2007. The NY office of UNCDF approved the first funding for MFIs in July 2005, and the first in-country investment committee meeting was held in November 2006, with a second one held in May 2007. Unfortunately, funding had run out for the third investment committee and no proposals were approved. The Programme was scheduled to end in 2007, but UNDP Liberia extended its funding until Dec 2008 and activities continued, although there was no further funding directly to MFIs. UNCDF has unofficially extended the Programme until June 2009. CORDAID still has loan funds

available, but these have not been used. At the time of the evaluation, UNDP Liberia had contributed US \$100,000 more than it committed, while UNCDF contributed US \$4,000 more.

Overall Programme Design and Implementation

Findings

The assumptions upon which the Programme was based, found in the Programme Support Document and the Liberia Country Diagnostic, were valid. The amount of funding for the Programme was inadequate from the beginning, especially in the area of direct funding for MFIs. There did not seem to be clear responsibilities for fundraising for Liberia. With the decentralization of NY tasks to the Regional Offices in 2005-6, and the late hiring of staff for both the Regional Offices and the Liberia Programme Unit, there was no way to make up the funding shortfall during the remaining life of the Programme. Fortunately, UNDP is very impressed by the Programme and has contributed an additional US \$100,000, although this was not available for direct funding to MFIs.

There were difficulties in hiring the Country Technical Advisor for the Programme. The Programme began funding MFIs in July 2005, but a Country Technical Advisor was not found and hired until January 2007. The fact that she had previous experience in Sierra Leone's BIFSA Programme was very helpful. The objectives of the Liberia Programme were large and there were many planned activities compared to the small number of staff of the Programme (three); fortunately their hard work and expertise enabled them to achieve most of the targets. The performance framework for the Programme has some weaknesses, especially in the areas of definition of objectives, establishing indicators for those objectives, and estimating targets. The Programme was supposed to have a TSP but this firm was never hired. The Programme staff performed the tasks of the TSP with good results, but there are some concerns about conflicts of interest. Reconciliations of use of funds seems problematic. Programme staff do not have access to UNCDF's Atlas database, and so are dependent on the Regional Office for this information. The role of the Regional Office seems minimal, limited to collection of data and voting at IC meetings. The Government of Liberia, especially the Central Bank, has been very supportive of the Programme and has provided a location for the Programme Unit and has staffed a permanent Microfinance Unit within the Bank with senior staff.

Recommendations

- Raise adequate funds from donors from the beginning of the Programme. Re-examine the strategy of having Programme staff raise funds. Fundraising is time-intensive for Programme staff and may interfere with sector-building activities. In addition, it takes time for donors to commit funds, and so new funds may not be available when the Programme needs them.
- Hiring must be on time to allow Programme activities to start as planned. Constraints in finding qualified microfinance staff should be addressed before Programme startup.
- Use staff with experience in other BIFSA countries to start up activities in new BIFSA countries whenever possible.

- For Phase 2, use regional consulting firms for due diligence on MFIs requesting funding to avoid conflict of interest.
- Clarify the role of the Regional Office with respect to the Programme. A monitoring and quality control function should be added, with periodic visits.
- Do reconciliations of donor funds periodically. UNCDF Regional offices should do this for all donors and provide this information to the Programme staff. This will ensure availability of funds for Investment Committee meetings and also promote accountability.

Objective One Findings

The BIFSA country-level approach was effective at improving microfinance practice at the two institutions, both MFIs, that were directly funded by the Programme. Both institutions were able to improve their performance significantly, and can now be considered “good practice” institutions. Although the goal was to identify and fund three institutions, these were the only two institutions that could have qualified during the life of the Programme. Both institutions, also supported by international NGOs, have improved their profitability, the quality of their portfolios, their geographic outreach, and their portfolio size (amount and numbers of clients). Both institutions reach women overwhelmingly, and both are targeting the correct populations. Representatives of both institutions attest that their progress would not have been possible without the direct support of the Programme.

The funding of the institutions was done in a transparent and non-politicized manner via an Investment Committee of donors and government representatives. MFIs signed Performance Contracts which obligated them to achieve certain targets. This was appropriate and contributed to positive results. Programme staff monitored the Agreements. The amounts agreed to by the donors for each Performance Agreement were appropriate in size to the needs of the MFI at that moment. The use of the funds was very flexible, and allowed MFIs to pay for personnel, computer equipment, vehicles, staff training, and to build loan capital, which was very advantageous.

There were problems with the Programme funding, however, and funds for this objective ran out before the end of the Programme, at a time when MFIs were funding-constrained. The disbursements to MFIs were often delayed many months. Coordination between donors, especially with CORDAID who does not have an office in Liberia, was awkward.

Objective One Recommendations

- Continue direct funding of inclusive finance retail providers, using performance contracts with a limited number of best practice indicators. Continue disbursing in tranches. Continue monitoring performance and withholding funds until targets are met.
- Improve communications between Programme and donors, especially around Investment Committee planning and Programme progress reports.
- Improve efficiency in disbursing money to MFIs. Shorten time periods for disbursement.

Objective Two Findings

An Investment Committee was supposed to be the Programme's mechanism for building strategic partnerships between donors/investors and government. It was supposed to attract new donors and investors for three reasons: one, as a way to coordinate with other donors in the sector; two, as a way to leverage funds for greater impact on the sector; three, as a way to increase access to government. There were three donors at the beginning of the Liberia Programme: UNDP, UNCDF, and CORDAID, each with one vote.

No new strategic partnerships were established with new donors or investors during the life of the Programme. No new funds from new donors or investors were mobilized. One existing donor (UNDP) provided more funding than originally committed in Programme start up documents (around US \$100,000 in additional funds). Because no new donors or investors were engaged, funding for direct investment in retail finance providers (MFIs, etc.) ran out before the end of the Programme.

The evaluation team has concerns about the Investment Committee mechanism, the most important being:

- Whether potential new donors are attracted to the IC mechanism or the expertise of the Programme Unit staff;
- The potential conflict of interest between the Programme staff's role in analyzing and recommending the investments vs. providing best practice MF expertise to IC members;
- The small size of the IC;
- The ability of the IC to furnish funds to the MFIs when they need them;
- The possibility that new donors, with their own agendas for MF, may have a different vision for investments in the sector.

Objective Two Recommendations

- Clarify fundraising responsibilities between NY, Regional Offices, and country Programme Units. If additional funds are needed for a Programme, add indicators, targets, and activities for this. Make fundraising a top priority when committed funds are insufficient. A staff member dedicated to fundraising may be required.
- Publicize BIFSA country and global results to current and potential donors/investors in a consistent way. CORDAID is not aware of the successes of this Programme due to poor communications. UNDP Liberia, which had close communication with the Programme, is quite impressed by the results and considers the Programme "best-value-for-money".
- Build a UNCDF brand for this approach, so that UNCDF is known worldwide to other donors for this work, and so that potential donors considering an MF intervention will approach UNCDF for its expertise.
- Improve communications with donors on the IC; ensure that they receive IC notifications in a timely manner; request permission from CBL Governor so that IC communications can be sent directly from Programme to donors without Governor's approval.
- Establish a minimum number of voting members without which the Committee will not exist.

- Increase the number of voting members and establish a quorum without which the Committee will not be held.
- Ensure sufficient funding so that the Committee can be held at least 2 times per year as per its ToR.
- Hire additional Programme staff so that preparation and coordination of ICs occur without problems.
- Hire independent consultants to undertake the assessments and recommendations of IC proposals, so that Programme staff can advise Committee members without conflict of interest.
- Provide inclusive financial sector training to donors/investors with no experience in the area.
- Ensure that the goals of the Programme are consistently and repeatedly reinforced to donors on IC.

Objective Three Findings

Objective three was the establishment of a MF working group in the CBL to coordinate the formulation of a national MF policy and changes to the regulatory environment. A Working Group was initiated but discontinued after a few meetings. The CBL's MFU and the National Task Force, comprised of stakeholders in the microfinance sector, are functioning well. There is a draft national MF strategy, pending approval by the CBL and government ministries, which was drafted by a consultant under the supervision of the National Task Force. The MFU has been involved, with other CBL units, in Programme activities designed to improve understanding of MF regulations. The result of this is some new guidelines issued by the CBL on commercial banking regulations related to MF. More guidance is needed for the industry, and capacity building for the CBL to supervise regulated MFIs is also required. No changes were made to the 1936 Cooperatives Law, and this is still needed.

Objective Three Recommendations

- Continue to build CBL capacity in policy and regulatory environments for inclusive financial sectors.
- Build momentum and consensus for approval of National Inclusive Financial Sector Strategy.
- Supporting the revitalization of the cooperatives law.

Objective Four Findings

This objective pertained to the dissemination and reinforcement of sound MF principles to the sector at large. Knowledge of best practice MF has improved greatly in Liberia thanks to the Programme's activities. Government, donors, consultants and practitioners understand key MF ratios and standards, and understand that microfinance is a commercial activity that should be regulated. The Programme reinforced the meso sector: two Universities are now offering microfinance training certificate courses to students and non-students. Programme support for the universities has created a supply of MF staff for MFIs that are severely constrained due to staff poaching by organizations paying higher salaries.

Objective Four Recommendations

- In Phase 2, the same focus on building all three levels of the inclusive finance sector should be continued.
- More microfinance capacity building is needed. Training and study tours should continue. Themes could include governance, interest rates, internal controls, lowering drop out rates, new product development (rural lending, for example), poverty targeting, and cost-effective impact measurement. The Programme may want to set up a training course especially for interested donors and government staff.
- Provide funding for more meso level services such as BDS for MFIs, strengthening local auditing firms to provide superior services in the sector, support MIS at the MFI level. Continue the university microfinance certificate program to train a pool of qualified staff who could be absorbed by the entire sector. Build the universities' capacity to provide best practice microfinance courses and services to the sector.
- The MF Network should be supported in its efforts to provide value for its members and as a mechanism for dissemination of inclusive financial sector best practices.

Recommendations for a Second Phase

The mission for the formulation of a second phase was in Liberia several weeks before this evaluation team. This team has not seen the final report of the formulation mission, but has seen the PowerPoint presentation of that mission to the national stakeholders. This mission is essentially in agreement with the broad perspective of the formulation mission.

The primary objectives of the second phase should be:

- Improving the policy and regulatory environment (including credit unions)
- Financing retail inclusive finance providers
- Building the meso sector (for eventual exit of the Programme, and with monitoring indicators and targets)

The Programme Unit would continue to be housed with the CBL MFU. There would be additional staff for handling reconciliations with donors, communications with stakeholders, and coordinating sector events. Consulting firms would be hired for due diligence on MFI investments for the IC. Additional donors would be part of the IC, and would be oriented by the Programme staff on the goals and vision of the Programme. There would be adequate funds for the Programme to operate for the entire second phase, which should be no longer than 3 years.

There is a danger that the demand from non-best practice MF donors may create the same problems in the Investment Committee as seen in Sierra Leone – lack of a coherent, and best practice, vision, and lack of a clear exit strategy. This should be addressed in MOUs with member-donors and in constant sensitization of Committee members to the benefits of commercial microfinance.

Introduction

The overarching goal of the UNCDF Liberia Programme LIB/04/C01, *Launch of an Inclusive Financial Sector in Liberia (2005 - 2007)* was to contribute to the achievement of the Millennium Development Goals, in specific the goal of cutting absolute poverty by half by 2015, by increasing sustainable access to financial services for poor and low-income people in Liberia. The Programme aimed to contribute to this goal by launching the development of a competitive and sustainable inclusive financial sector that provides access to financial services to poor and low-income people in general and micro and small businesses in particular. The timeframe of this Programme was 2.5 years, beginning around May 2005. There were four objectives: 1) Identify and fund potential microfinance institution leaders so that they can address weaknesses and improve sustainability; 2) build strategic partnerships with other donors and investors in order to leverage more investment in the sector and improve coordination among stakeholders; 3) address policy and regulatory weaknesses via the formation of a microfinance (MF) Working Group in the Central Bank of Liberia (CBL); and 4) contribute to the adoption of sound MF principles among stakeholders.

Funding was provided by UNCDF, UNDP, and CORDAID, with in-kind contributions from the Government of Liberia, which housed the Programme Unit.

Purpose of the evaluation

The general objectives of the final evaluation of Liberia Programme LIB/04/C01, *Launch of an Inclusive Financial Sector in Liberia (2005 -2007)* are: 1) to assist stakeholders in improving the efficiency, effectiveness, relevance and impact of the Programme; 2) to provide feedback to all parties to improve the policy, planning, Programme formulation, appraisal and implementation phases; 3) to ensure accountability for results to the Programme's financial backers, stakeholders and beneficiaries. The evaluation provides findings, lessons learned and recommendations which can be replicated to improve program performance in other countries and to guide the formulation and implementation of a second phase of the Programme in Liberia. For more details on the objectives of the evaluation, please see Annex A: Terms of Reference.

The evaluation took place during a two-week period in Liberia during November and December 2008. The evaluators spent the majority of their time in Monrovia, plus a field visit to Kataka (see Annex B: Map of Liberia). For a more detailed description of the evaluation team's activities, please see Annex C: Calendar of Activities.

Evaluation Framework

Methodology

The methodology for the evaluation used best practice evaluation planning and methodologies, including document review and analysis, key informant interviews and semi-structured interviews. The Evaluation Team triangulated information across multiple sources. The evaluation focused on achievements at the level of the microfinance sector and did not investigate impact on households at the client level, except anecdotally.

The evaluation interviewed all direct stakeholders. This included supporters and beneficiaries of Programme activities: Programme staff, members of the Investment Committee (IC), Central Bank

of Liberia (CBL) MF Working Group, the National Task Force, management and Board members of the two MFIs supported by Programme, the MF Network Coordinator, and participants in trainings. The team interviewed three entities that were not approved for funding by the Programme: the NGO LEAD, and the commercial bank Ecobank, and the credit union apex, LCUNA. The team also interviewed some entities and persons not involved directly in the Programme: outside donors not involved in the Investment Committee, and other microfinance providers. A small number of clients from Programme MFIs were visited at their places of business, to assess client poverty levels in a non-quantitative manner, and to assess client satisfaction. For a complete list of people interviewed, please see Annex D: List of People Interviewed.

In terms of documents reviewed, evaluators looked at all Programme documents, MFI financial reports and statements, sector studies, publications, among other documents. For a complete list of documents reviewed, please see Annex E: List of Documents Reviewed.

On the last day in-country, the evaluation team presented an Aide Memoire to representatives from the CBL, the Ministry of Planning, the United Nations Development Programme (UNDP) and the Launch of an Inclusive Financial Sector (LIFS) Programme staff at an evaluation debriefing. Comments from these stakeholders have been taken into account in the development of this document.

Methodological Constraints

There were no major constraints that affected the ability of the evaluators to obtain information or make conclusions.

Team composition

The Evaluation Team was comprised of an international Team Leader, who is an expert in microfinance, an international Team Member with microfinance experience, and a national consultant. For bios of team members, please see Annex F: Bios of Consultant Team.

Context: Programme profile

Liberia is a small post-conflict country located on the west coast of Africa, bordered by Sierra Leone to the north-west, Guinea to the north, and Ivory Coast to the northeast. It has a population of approximately 3.5 million, of whom nearly half are under 14 years old, with 70 % of its population living in the rural areas. The effects of its 14 years of conflict until 2003 are a severely damaged infrastructure, a high poverty rate, lack of qualified human resources, and weak democratic structures. Data compiled for the Liberia Poverty Reduction Strategy Paper (2007) indicate that 65% of Liberians are poor, and 45% severely poor. Per capita gross domestic product (GDP) is about US \$185 (2006). Only 700 kilometers of paved roads exist, and 2 out of every 5 children are stunted. However, the economy has been growing steadily since the end of the conflict, the security situation is improving, roads are being built, and refugees are returning. Donor focus is slowly turning from post-conflict activities such as demobilization and settlement of returnees, to economic growth and development.

Microfinance Sector

Baseline (2004)

UNCDF conducted a baseline (pre-Programme) assessment of the inclusive financial sector in 2004. This assessment identified two NGOs that were providing microcredit using a group methodology. Both had existed before the conflict began. There were several commercial banks, none doing microfinance activities, and one state-owned development bank providing loans at the upper end of the microfinance market. No other inclusive financial sector products were being offered at that time.

There was no national MF strategy, and no regulatory environment for commercial deposit-taking MFIs. There was a category within the 1999 Banking Act for non-deposit-taking financial institutions, but the guidelines lacked clarity on provisions, start-up capital, reserves, and monitoring. There was an interest rate cap imposed by government regulation. There was no regulation on insurance companies or telecommunications.

In the meso sector, there were no audit firms, credit bureaus, legal advisors, consulting firms, rating agencies, or other technical service providers (TSPs) for the inclusive financial sector.

Most donor funding in-country was concentrated on demobilization, disarmament, security, livelihoods, and resettlement of returnees and internal refugees.

Current (2008)

There are currently two NGO MFIs supported by the Programme. Both of these institutions have plans to transform to commercial entities in the near term. Their client outreach numbers have increased significantly. The percentage of women clients has remained essentially the same (but of course the number of women reached has increased). Both MFIs have opened branch offices in new areas, decreased their PAR, increased their profitability, and improved their systems and controls. One MFI reports to The Mix. Both have plans to offer new products, such as individual loans, but are currently constrained by funding. One MFI has a Western Union kiosk at its central office.

There is a licensed MF Bank that has not yet started lending (Access Bank), and a commercial bank that has started microfinance lending with a group methodology (EcoBank). In addition, the Bangladeshi NGO BRAC is planning to set up commercial MF operations in Liberia early 2009. The Ministry of Gender is doing some form of microfinance for women with UNIFEM funds. UNHCR has funded the implementation of village savings and loans groups for returnees in 2006 through the international NGO ARC.

Knowledge of best practice microfinance has significantly improved. Practitioners understand concepts and calculations of portfolio at risk rates (PAR), operational and financial sustainability (OSS and FSS, respectively), adjusted return on assets (AROA), effective interest rates, and other ratios.

There are two Universities offering microfinance training certificate courses to students and non-students. Some of those trained have been incorporated as staff into MFIs. There are audit firms with experience auditing microfinance activities, and a few local consultants with MF experience.

The regulatory environment for commercial microfinance has been recently partially clarified with a gazetted publication amending some regulations for deposit-taking commercial microfinance providers. Further clarifications for commercial microfinance institutions are expected shortly.

Telecommunications laws have been updated to allow for SMS banking, and one commercial bank, International Bank, is offering SMS banking (via mobile phone). Several donors have expressed interest in supporting business development services for microfinance clients (CHF and OSIWA).

Donor funding in-country is being redirected to economic activities; economic growth is one of four pillars of the recently released Poverty Reduction Strategy Paper (PRSP). UNIFEM, UNHCR, ILO and other donors have approached the Programme unit about assistance for microfinance activities.

Programme Status

The Programme was approved in 2005, and initially funded in the amount of US \$750,000 from UNCDF, US \$500,000 from UNDP Liberia, and 500,000 Euros (approximately US \$665,000) from CORDAID. Recruitment began for staff in 2006, but the post of Country Technical Advisor (CTA) was not filled until late 2006. The CTA began work in Liberia in January 2007. The NY office of UNCDF approved the first funding for MFIs in July 2005, and the first in-country investment committee meeting was held in November 2006, with a second one held in May 2007.

Unfortunately, funding had run out for the third investment committee and no proposals were approved. The Programme was scheduled to end in 2007, but UNDP Liberia extended its funding until Dec 2008 and activities continued, although there was no further funding directly to MFIs. UNCDF has unofficially extended the Programme until June 2009. CORDAID still has loan funds available, but these have not been used. At the time of the evaluation, UNDP Liberia had contributed US \$100,000 more than it committed, while UNCDF contributed US \$4,000 more.

Programme funds for direct funding to the two MFIs were disbursed as follows:

Total Donor Commitments USD (Oct 2005)	MFI Grants Approved USD (2005 – 2007) (Source: MFI Performance Contracts)	MFI Grants Disbursed USD (Nov 2008) (Source: Programme Unit)
1,915,000	1,060,970	1,020,970

Other committed funds were used for other Programme activities and operating costs.

Total Donor Commitments USD (Oct 2005)	Other Programme Activities USD (2005 – 2008) (Source: Programme Unit)	Unutilized Funds USD (Nov 2008)
1,915,000	635,000	0

There were some discrepancies in the data provided to the evaluation team between the Programme Unit figures, the Regional Office in Dakar figures, and the Programme documents, so an exact reconciliation was not possible.

Evaluation Findings and Recommendations by Key Focus Area

Key Focus Area 1: Building Best Practice Inclusive Finance Providers

The key question for this key focus area is: *Was the BIFSA country-level approach effective at building best practice microfinance institutions and credit unions (MFIs/CUs)?* This key focus area corresponds to Objective One of the Programme: “Potential leaders of the microfinance industry have addressed institutional weaknesses that allow them to make clear progress toward sustainability and considerably increase their outreach to launch an Inclusive Financial Sector.”

Indicators for this Objective included (see Annex G: Performance Framework, for further details):

- Number of active clients (Target: 22,000, presumably borrowers only, and presumably for the entire sector)
- Number of MFIs funded directly (Target: 3)
- “Substantial improvements” in outreach, portfolio quality and profitability (Targets: unspecified)

Findings:

The BIFSA country-level approach was effective at improving microfinance practice at two institutions, both MFIs. These MFIs were directly funded from Programme grants.¹ Both were able to improve their performance significantly, and can be considered “good practice” institutions. Although the goal was to identify and fund three institutions, these were the only two institutions that could have qualified during the life of the Programme. The credit union sector was essentially destroyed during the civil war and so there were no credit unions that could have received funding during Phase One. Both institutions have improved their profitability, the quality of their portfolios, their geographic outreach, and their portfolio size (amount and numbers of clients). Both institutions reach women overwhelmingly, and both are targeting the correct populations. Representatives of both institutions attest that their progress would not have been possible without the direct support of the Programme.

Both MFIs also received funding and technical assistance from their international and national parent organizations, but certainly the Programme contributed to their positive results.

The tables below show details on performance for each MFI.

¹ MFIs committed to use 48% of Programme grants for loan portfolios, with the remainder allocated for personnel, transport, equipment and other operating costs. This figure is calculated from Performance Agreements for MFIs. However, each MFI was permitted to reallocate its Programme funds according to its needs at the moment. Figures are not available on the exact use of funds. Allowing this flexible use of funds was positive, since there were delays in disbursement, and MFIs needs may have changed by the time the funds were received.

MFI NAME: LEAP	BASELINE (30/6/05) ²	1 st Grant (2005)	1 st Grant	2nd Grant (2007)	2nd Grant	End of Programme Achievements
		Proposed (Aug 06)	Achieved (by Sept 06)	Proposed (Nov 07)	Achieved (by Dec 07)	As of October, 08
Number of Active Clients	1,000	3,075 – 4,100	4,120	7,000 – 7,995	10,865	7,283
% of Female Clients	90%	80% - 90%	83.5%	70% - 75%	89%	85%
Adjusted Return on Assets	-130%	-100% to - 85%	-6.26%	-8% to -9%	-12%	-10%
(Unadj.) Operational Sustainability	30%	37.5% - 50%	107.39%	90% - 110%	76%	121%
Portfolio at Risk at 30 days	50%	2.7% - 2%	10.60%	<2% - 5%	8.2%	5%

Sources: Leap Grant Agreements, Leap Quarterly Narrative Reports to LIFS Programme, Leap Financial Statements, Interview with Executive Director.

MFI NAME: Liberty	BASELINE (30/6/05)	1 st Grant (2005)	1 st Grant	2nd Grant (2007)	2nd Grant	3rd Grant (2007)	3rd Grant	End of Programme Achievements
		Proposed (Aug 05)	Achieved (by Sept 06)	Proposed (Dec 06)	Achieved (by Dec 06)	Proposed (Aug 07)	Achieved (by Mar 08)	As of October 08
Number of Active Clients	697	1,800 - 2,250	2711	3,000 – 3,200	N/A (grant awarded as bridge funding, no time to achieve targets)	3,500 - 3,700	4,601	6,134
% of Female Clients	91%	50% - 75%	89%	50 – 75%		90%	90%	91%
Adjusted Return on Assets	-184.9%	-150% to - 120%	-60%	-4%		-16 to -17 %	-5%	-6%
(Unadj.) Operational Sustainability	17.8%	30% - 41%	60%	63% - 67%		50 – 55%	64%	Verify
Portfolio at Risk at 30 days	0%	4% - 2%	1.54%	2 - 4%		8 – 12%	11.19%	7.88%

Note: Dropout rate and cost of loans made were also indicators for the second and third grants.

Sources: Liberty Grant Agreements, Liberty Quarterly Narrative Reports to LIFS Programme, Liberty Financial Statements, Interview with Executive Director.

Internal Programme factors that contributed to this achievement of results included the following (see Annex G: Performance Framework, for further details):

- Availability and amount of funds. The funding was critical to helping the MFIs improve their performance and expand to new areas. The amounts were helpful to MFIs, and allowed

them to make progress towards their sustainability goals, to acquire and retain staff, and to expand to new areas.

- Partners committed to the approach. While there were differences in microfinance and inclusive financial sector knowledge among the donors, there was a strong commitment to the Programme and its goals.
- Investment Committee process and procedures. MFIs that presented investment proposals to the IC were forced to think through their business strategies. One organization that was not approved for funding said that it recognized that its business plan was weak and its sustainability strategy needed to be improved, and so it did (LEAD). The MFIs that did receive funding invested considerable effort in developing five-year business plans for presentation to the Committee.
- The use of the funds was very flexible, and allowed MFIs to pay for personnel, computer equipment, vehicles, staff training, and to build loan capital, which was very advantageous to MFIs.
- Performance grants between donors and the MFIs had clear indicators and time periods, and were enforced by Programme staff. Disbursements were done in tranches to allow Programme staff greater ability to enforce performance.
- CTA experienced in MF and in a prior BIFSA Programme in Sierra Leone. The Programme start up documents envisioned hiring a TSP. This was not done. The CTA and her team were able to take the place of the TSP due to her prior experience in Sierra Leone and her MF expertise.
- Committed Programme staff: The three Programme staff seem to be too small in number for the extensive objectives and the short timeframe of the Programme. Given the number of objectives that were accomplished, one could conclude that the Programme staff worked as a team to get things done.

External factors that contributed to this achievement of results included:

- Other donors (not involved in the Programme) supported the beneficiary MFIs. For example, LEAP has received a concessional loan at 8% per annum for \$150,000 from World Hope to increase its loan portfolio. Liberty's activities are tied to its ARC parent and it has received technical assistance from ARC. Both international parent organizations have hired expat Executive Directors with significant expertise in MF in order to boost performance.
- A conducive political and economic environment. Liberia had an economic growth rate of over 9% in 2007, a stable government since 2005, and the government has made efforts to attract international investors and donors.
- Past experience of MFIs. Both beneficiary MFIs had been operating before the Programme started. The experience gained in the past, coupled with the assistance obtained from the Programme team, helped them to improve their performance.

Internal factors that created obstacles to the achievement of results included:

- Inadequate project funding from the beginning. A short time period during which to fundraise. Slowness of the Liberian government (CBL) to approve fundraising activities. The Programme was out of money in its budget for directly funding MFIs by the time Programme staff were hired in Liberia. At the last IC meeting (May 2007), the Investment

Committee did not any have funds to disburse. Efforts by Programme staff to organize a donor conference for attracting investment in the inclusive financial sector were slowed by the CBL.

- Programme staff not informed by UNCDF Regional about funding availability in a timely manner. The Programme team in Liberia does not have access to UNCDF's budget database and so is dependent on information provided by the Regional Office. The Programme team was not aware that funds had run out, and had scheduled the May 2007 Investment Committee.
- The Programme was supposed to start in 2005, but did not start until 2007. This shortened the time frame over which the real success or failure could be measured, and the time in which the Programme had to achieve results.
- Staff were hired late. For example, except for direct funding to MFIs, other Programme activities were delayed since the CTA was hired in 2007.
- The mechanism of disbursing funds approved by the IC was not efficient. For example, the first proposal for LEAP was approved in July 2005 but funds were not disbursed until December 2005. These delays were common during the life of the Programme (see Annex H: Programme Chronogram).
- Poor communications with donors. For example, CORDAID was not informed in time for an IC meeting and so could not attend.
- For CORDAID, some of the amounts to be disbursed were too small to justify their internal procedure for disbursements.

External factors that created obstacles to this achievement of results included:

- Security in the interior: According to the United Nations, Liberia is still at a high security alert (Level 3-4). The extra care taken to get things done sometimes creates delays.
- Poor infrastructure (roads, banking networks, public transport, water and electricity infrastructure, and telecommunications).
- A culture of dependency: Some MFI clients who have the notion of receiving grants sometimes delay repayment or refuse to repay their loans.
- The government has been removing or relocating markets where MFI clients are based, causing delays in repayments.
- Internal migration: Relocation of people to their original homes in the interior, especially when they relocate without paying off loans.
- Illiteracy of the target populations.
- Poor staff retention due to "poaching" of staff by higher paying international entities.
- Policy and regulatory environment: Lack of national policy on microfinance and lack of clarity in regulations on commercial microfinance.
- Lack of a meso sector of microfinance expertise (consultants, audit firms, IT firms, etc.)

Recommendations related to this Objective:

- Continue direct funding of inclusive finance retail providers, using performance contracts with a limited number of best practice indicators. Continue disbursing in tranches. Continue monitoring performance and withholding funds until targets are met.

- Use staff with experience in other BIFSA countries to start up activities in new BIFSA countries whenever possible.
- Adequate funds from donors must be available from the beginning of the Programme. Re-examine the strategy of having Programme staff raise funds. Fundraising is time-intensive for Programme staff and may interfere with sector-building activities. In addition, it takes time for donors to commit funds, and so new funds may not be available when the Programme needs them.
- Hiring must be on time to allow Programme activities to start as planned. Constraints in finding qualified microfinance staff should be addressed before Programme starts.
- Improve communications between Programme and donors, especially around Investment Committee planning and Programme progress reports.
- Improve efficiency in disbursing money to MFIs. Shorten time periods for disbursement.
- Allow each donor to choose a minimum amount that it will disburse in each Performance Agreement and use this as a basis for agreeing in the Investment Committee how much each donor will disburse to an MFI.
- Do reconciliations of donor funds periodically. UNCDF Regional offices should do this for all donor funds and provide this information to the Programme staff. This will ensure availability of funds for Investment Committee meetings and also promote accountability.
- Train a meso level entity to provide business planning and proposal writing workshops to retail financial providers in the inclusive financial sector. This will improve the quality of presentations to the Investment Committee and consequently broaden the types and number of institutions that benefit from direct grants from the Programme.
- Ensure that new donors in the Investment Committee understand and are committed to the goals of the Programme.
- Consider using regional consulting firms for due diligence on retail providers who are presenting proposals to the Investment Committee. This will avoid conflict of interest issues such as might occur when the Programme staff recommend a proposal to the Committee and then advise the Committee.

Key Focus Area 2: Quality and Quantity of Investment in the Inclusive Financial Sector

The key question for this key focus area is: *Did BIFSA country-level activities lead to greater investment in the national inclusive financial sector?* This key focus area corresponds to the second Programme Objective: “Strategic partnerships are built with other donors and private sector in joint support of an Inclusive financial sector.”

Indicators for this Objective included (see Annex G: Performance Framework, for further details):

- Strategic partnerships established (Target: not quantified)
- Coordination among donors/investors (Target: not quantified)
- Resources mobilized for MFIs for Second Phase (Target: US \$ 6 million)

An Investment Committee was supposed to be the Programme’s mechanism for building strategic partnerships between donors/investors and government. It was supposed to attract new donors and investors for three reasons: one, as a way to coordinate with other donors in the sector; two, as a way to leverage funds for greater impact on the sector; three, as a way to increase access to government.

There were three donors at the beginning of the Liberia Programme: UNDP, UNCDF, and CORDAID, each with one vote. UNCDF's regional office provided the vote for UNCDF. A non-voting Central Bank of Liberia representative (a member of the CBL MFU) chaired the IC, and two other ministries (Planning and Finance) were observers. Programme staff vetted proposals and recommended investments to the Committee.

Findings:

No new strategic partnerships were established with new donors or investors during the life of the Programme. No new funds from new donors or investors were mobilized. One existing donor (UNDP) provided more funding than originally committed in Programme start up documents (around US \$100,000 in additional funds). Because no new donors or investors were engaged, funding for direct investment in retail finance providers (MFIs, etc.) ran out before the end of the Programme. Coordination between Programme, CORDAID, and UNCDF Regional Offices was problematic. The Programme staff had close interaction with UNDP Liberia.

There were several Programme budgets attached to the Programme Support Document (PSD). The first is the Resource Mobilization Budget, which appears to represent the best case scenario where the Programme is able to mobilize all the additional funds that it needed to accomplish all activities. This total was US \$3,438,450, with the majority (US \$ 2.8 million) falling into “microcapital grants or loans” (understood to be grants, loans, and equity investments in retail inclusive finance providers). A “Current Budget” is the budget for the amount of funding that was committed at the beginning of the Programme, US \$1.915 million. UNCDF's and UNDP's budgets follow, for their committed amounts. It is not clear if there was a UNCDF fundraising plan for raising the difference between “best case” and “actual commitments”, or a contingency plan if these amounts were not raised. If the funds were to be raised in Liberia, indicators and targets for this Objective should have included the amount of the shortfall to be raised, and activities aimed at raising it.

The shortfall of funds was mostly in the area of “microcapital grants or loans” (understood to be “grants, loans, and equity investments in retail inclusive finance providers”). The lack of additional funds affected the ability of MFIs supported by the Programme to achieve breakeven. They are currently funding-constrained. In addition to not being able to achieve breakeven, they are also not able to launch new products for the sector (individual loans, agricultural loans, and so on). CORDAID's funds for loan capital to MFIs have not been used, even though one MFI (Leap) is has already been lent funds from its parent organization and is paying 8% per annum.

Programme activities to raise funds in Liberia were hampered by the late arrival of Programme staff in Liberia. It is not clear if NY or the UNCDF Regional Offices were engaged in fundraising activities for Liberia before Programme staff were hired.

The Programme and the CBL MFU have developed a concept paper for a Donor Conference to attract new money for the sector. Plans to hold it have been repeatedly delayed due to lack of consensus of stakeholders and lack of approval by Ministries and the CBL Governor.

The Investment Committee functioned transparently, following its Terms of Reference and Criteria for Investments. Concrete contracts (“Performance Agreements”) were used, with a reasonable number of best practice microfinance indicators. Performance was monitored by the Programme staff. The Committee was a venue for building understanding of best practice microfinance among its members, and at providing incentives and penalties for MFIs to improve performance. There did not seem to be politicization of the IC. No guidelines for grants or investments were produced.

There were some clear benefits of the Committee:

- Non-microfinance practitioners in the CBL and in the donor community learned about microfinance;
- Non-business people learned about analyzing investments;
- Programme staff impressed others with their technical knowledge of MF and this has led to more donor interest in participating;
- Applicant institutions learned how to prepare and present business plans.

It seemed at the time of the evaluation that additional donors are interested in participating in the Investment Committee in the second phase of the Programme, but no firm commitments had been made and the amount of funding was not known. These donors (UNHCR, UNIFEM, ILO) have only recently started microfinance activities, mostly targeted to returnees, and not necessarily best practice. They have only recently become aware of the Programme’s activities, and are soliciting advice from Programme staff for their own microfinance activities. They have their own agendas and goals, which may not coincide completely with building best practice inclusive financial sectors.

UNCDF asked the evaluation team to evaluate whether the Investment Committee mechanism was effective as a means to raise funds for BIFSA projects. It is difficult to make concrete conclusions from the Liberia case. In Liberia, a post-conflict country, donors appeared to be more interested focused on security, repatriation, and stability during the time of the Programme, and are only recently expanding into economic development activities. Microfinance receives a brief mention in the recently published Liberia Poverty Reduction Strategy Paper (PRSP) under the Economic Development Pillar. Even with the best of efforts, it may be difficult to raise funds for inclusive finance in a post-conflict country.

However, the evaluation team would like to draw attention to some concerns about the Investment Committee mechanism for the future:

- In Liberia, it seemed that the potential new donors are attracted more to the expertise of the Programme staff rather than for reasons of coordination, leveraging, or access to government.
- There seems to be a conflict of interest between the Programme’s role in analyzing and recommending the investments vs. providing best practice MF expertise to IC members.
- Investors may prefer to do their own due diligence on MFIs and not rely on Programme staff.
- IC membership may not be appropriate for investors who already have invested in an institution or have an institution picked out, due to the sharing of confidential information by competitor institutions.

- Three voting members, two of whom are out of country, seems to be too small a number to justify a twice-a-year committee. What would a quorum be in this case?
- It is costly and environmentally harmful to fly voting members into Liberia for a meeting, and yet teleconferencing does not meet everyone's needs for face-to-face interaction and trust-building either.
- It is doubtful, given infrequent meetings and slow disbursement, that the IC can really meet MFIs' cash flow needs at the time that MFIs need it. This may have led to MFI requests that were overly large (above US \$500,000).
- The Terms of Reference for the Committee do not stipulate under what conditions non-attending members should be allowed to delegate their vote to other members.
- Coordination for planning of meetings was problematic, even with only three donors involved. CORDAID was dissatisfied with Programme communications for planning IC meetings.³ With a greater number of donors, there is the risk that this will worsen.
- There would seem to exist the possibility that a donor could ignore an IC rejection and fund the MFI's proposal anyway, which would undermine the Committee.
- There is no maximum amount stipulated per MFI proposal in the ToR.
- There is a danger in the second phase that new donors may not be 100% supportive of the Programme's goals, and may try to inject their own goals (which may not be in line with building inclusive financial sectors).
- Investors may not see any value added in participating in the Investment Committee. One investor (OSIWA) noted to evaluators that there was no reason to participate in a "committee of two" when he could more easily make the decision himself.

Recommendations related to this Objective:

- Clarify fundraising responsibilities between NY, Regional Offices, and country Programme Units. If additional funds are needed for a Programme, add indicators, targets, and activities for this. Make fundraising a top priority when committed funds are insufficient. A staff member dedicated to fundraising may be required.
- Improve communications with donors on the IC; ensure that they receive IC notifications in a timely manner; request exemption from CBL Governor so that IC communications can be sent directly from Programme to donors.
- Publicize Programme (and global) results to current and potential donors/investors in a consistent way. CORDAID is not aware of the successes of this Programme due to poor communications. UNDP Liberia, which had close communication with the Programme, is quite impressed by the results and considers the Programme "best-value-for-money".
- Build a UNCDF brand for this approach, so that UNCDF is known worldwide to other donors for this work, and so that potential donors will approach UNCDF for its expertise.
- Clarify reporting on funds available between Programme, donors, and Regional Offices, and simplify reconciliations between donors, Programme and MFIs.
- Establish a minimum number of voting members without which the Committee will not exist.

³ This was aggravated by the fact that Programme communications go through the CBL's MFU and then must be approved by the Governor of the CBL. This slows down communications.

- Increase the number of voting members and establish a quorum without which the Committee will not be held.
- Establish a policy for delegation of voting rights.
- Voting members should sign the minutes, which should clearly indicate what was approved and what was not approved.
- Use teleconferencing for out-of-country voting members, and/or purchase carbon offsets for flights of those who travel to Liberia for meetings⁴.
- Ensure sufficient funding so that the Committee can be held at least 2 times per year as per its ToR.
- Hire additional Programme staff so that preparation and coordination of ICs occur without problems.
- Hire independent consultants to undertake the assessments and recommendations of IC proposals, so that Programme staff can advise Committee members without conflict of interest.
- UNCDF regional offices and donor members should provide statements of funding availability to Programme staff on a quarterly basis, or some other mechanism that achieves the same purpose.
- Establish guidelines for investments, which include criteria for maximum investment amounts per proposal (which could be a fixed amount, or a percentage of an organization's current outstanding portfolio, or other suitable criteria), and guidance on the type of investment (grants, loans, equity, and combinations, perhaps using 100% adjusted OSS as an indicator to move to concessional loans).
- Provide inclusive financial sector training to donors/investors with no experience in the area.
- Ensure that the goals of the Programme are consistently and repeatedly reinforced to donors on IC.

Key Focus Area 3: Improving Policy and Regulatory Environment for Inclusive Finance

The key question for this key focus area is: *Did BIFSA country-level activities lead to a policy and regulatory environment that is more conducive to inclusive finance?* This question corresponds to the Programme's third objective: the establishment of a professional microfinance working group, "trained and operational", in the CBL, and "capable of ensuring an optimal enabling environment for the launch of the microfinance industry and its eventual integration into the financial system."

Indicators and targets were (see Annex G: Performance Framework, for further details):

- A Microfinance Working Group in CBL established as a professional focal point for the development of the microfinance industry.
- Industry standards developed with MFIs including efficient and transparent information exchange.
- A national policy and strategy for the development of the microfinance sector as an integral part of the financial sector (year 2).
- Immediate policy constraints (interest rate ceilings, excessive reserve requirements) are addressed prior to a Phase II.

⁴ For example, www.terrapass.com, among others.

Findings:

The CBL has established a MF Unit to work with the LIFS team to promote MF in the country. The MFU is staffed with two senior CBL staff, and housed with the Programme Unit in an annex of the CBL. MFU staff have access to the Governor of the CBL. This Unit serves as the MF focal point for the government. A MF Working Group was established at the beginning of the Programme, which was composed of staff from the relevant departments of the CBL: Audit, Supervision, and MFU. The Working Group met once or twice only.

There is a functioning National Task Force, including the MFU (the chair), the Programme, the Ministry of Planning, the Ministry of Finance, LCUNA, Ecobank, the MFIs Leap and Liberty. The group meets at least once per month. It has been instrumental in building best practice MF, in coordinating sector events, and in developing a National MF Strategy Paper, *The Liberian Strategy for Financial Inclusion*, drafted with the help of an outside consultant in June 2007. It has not been adequately circulated, nor approved by the government ministries, and so has not been implemented. The document is comprehensive and well thought out and should be approved and implemented. The budget for the five-year plan is estimated at US \$ 45 million, and it is not clear how much of this the GoL will be able to furnish.

Global MF industry standards were disseminated by the Programme to the inclusive financial sector rather than being developed by the CBL.

There is indication that the CBL has a better understanding of microfinance issues, and of the challenges they face in regulating the commercial microfinance sector, and this was due in part to Programme activities⁵. The supervisory unit has recently amended an existing commercial bank regulation to include some adjusted guidelines for commercial MFIs that are more appropriate to them than commercial banking regulations. For example, the provisions requirement has been made more strict for microfinance loans. The interest rate cap was removed early in the Programme but this had nothing to do with Programme activities.

Despite these achievements, there are still issues in the regulatory environment that need rapid attention. For example, the sector is still waiting for clarification of regulations governing non-deposit taking financial institutions. While some commercial MFIs are entering the market despite the lack of clarity, there is evidence that more commercial microfinance institutions would enter the market if appropriate clarifications were made. There is a Nigeria MF bank that is interested in the Liberian market but does not want to enter the sector yet due to lack of clear regulations for non-bank financial institutions. The cooperative law has also not been changed since 1936 and needs updating. For a detailed description of the regulatory and policy environment for MF, please see Annex I: Country Diagnostic Checklist.

Recommendations:

⁵ There was also support to the CBL from the IFC. Two consultants drafted suggested amendments to the Banking Law for MF.

- Continue to build CBL capacity in policy and regulatory environments for inclusive financial sectors.
- Build momentum and consensus for approval of National Inclusive Financial Sector Strategy.
- Supporting the revitalization of the cooperatives law.

Key Focus Area 4: Improvements in Performance of the Inclusive Financial Sector

The key question for this key focus area is: *Did BIFSA country-level activities lead to improvements in the performance of the wider inclusive financial sector?* This key focus area corresponds to the fourth Programme Objective: “Sound microfinance principles have been disseminated and are widely accepted and adopted.”

Indicators and targets (see Annex G: Performance Framework, for further details):

- Clear guidelines and coordination amongst actors of how best to apply grants versus loans exist;
- NGO-MFI conducive registration and monitoring process established;
- Government, donors, consultants and practitioners have access to and utilize best practices in microfinance.

There are no guidelines amongst actors on the application of grants and loans other than the Criteria for Investments found in the PSD.

The NGO-MFI registration process has not been changed but does not appear to be problematic. It is fast and inexpensive, according to interviews. There is limited monitoring for NGOs but the Ministry of Planning has recently embarked on an inventory of NGOs.

Much was done to disseminate standards for best practices in inclusive finance at all levels. The sector has improved greatly since the beginning of the Programme and due in great part to the activities of the Programme.

Knowledge of best practice microfinance has significantly improved. Practitioners understand concepts and calculations of portfolio at risk rates (PAR), operational and financial sustainability (OSS and FSS, respectively), adjusted return on assets (AROA), effective interest rates, and other ratios.

There are two Universities offering microfinance training certificate courses to students and non-students. Support for universities for MF training led to a supply of MF staff for MFIs that are severely constrained due to staff poaching by organizations paying higher salaries (UN, WB, and so on).

Training was also provided for MIS staff from the two beneficiary MFIs to help maintain accurate records for proper internal and external control. Many other training activities occurred.

One bank (Ecobank) has started microfinance activities, targeting clients who would not normally seek formal banking services. The bank has opened a separate unit where microfinance clients are

served without mingling with the regular banking clients. The unit has also hired qualified staff who were trained through the microfinance program in the universities, initiated by the LIFS project.

Due to the awareness created by the project, some VS&L groups are improving their operations in order to benefit from the project directly or indirectly. Johnny Empowerment, for example is gradually improving its performance in order to link some of its viable groups to MFIs that are benefiting from the project.

Recommendations:

- In Phase 2, the same focus on building all three levels of the inclusive finance sector should be continued.
- More microfinance capacity building is needed. Training and study tours should continue. Themes could include governance, interest rates, internal controls, lowering drop out rates, new product development (rural lending, for example), poverty targeting, and cost-effective impact measurement. The Programme may want to set up a training course especially for interested donors and government staff.
- Strengthen and include the credit unions and apex body in the Programme to give the staff the opportunity to improve their skills and be able to offer better services to the primary societies. Improve the regulatory environment for credit unions. Link existing VS&Ls to MFIs where appropriate. Support creation of more VS&Ls.
- Provide funding for more meso level services such as BDS for MFIs, strengthening local auditing firms to provide superior services in the sector, support MIS at the MFI level. Continue the university microfinance certificate program to train a pool of qualified staff who could be absorbed by the entire sector. Build the universities' capacity to provide best practice microfinance courses and services to the sector.
- Strengthen and include the credit unions and apex body in the Programme to give the staff the opportunity to improve their skills and be able to offer better services to the primary societies. Improve the regulatory environment for credit unions.
- Add additional Programme staff for audit/reconciliation and for capacity building to the sector. At least two new staff is advisable.
- The MF Network should be supported in its efforts to provide value for its members and as a mechanism for dissemination of inclusive financial sector best practices.

Cross-Cutting Questions

Cross-Cutting Question 1: Broadening and Deepening the Sector

Key Question: Did BIFSA country-level activities lead to development and diffusion of a greater diversity of products and services reaching a more inclusive population? Which products? How inclusive?

Findings:

There has not been much progress on adding new products to the sector. One reason is that the time period has been too short. For savings, only compulsory savings are provided at the microfinance level, which serve as collateral on loans. Both MFIs have interest in an individual loan product, and one has launched it, but funding constraints have prevented them from scaling up this product. One MFI (LEAP) is exploring 'Pay Day' (salary-linked) personal loans. LEAP has also rented a kiosk in its premises to Ecobank for Western Union operations.

The private sector (a commercial bank and a cell phone company) offers mobile phone banking (SMS and Me 2 U). Western Union is ubiquitous, at least in Monrovia. Access Bank will be providing individual loans started in mid-December. The Bengali NGO BRAC has opened offices in Monrovia and will begin providing group loans in 2009, followed by individual loans sometime in 2010. BRAC will also convert to a deposit-taking institution in 18 months and will begin to offer savings services.

Regarding broadening the sector, both MFIs attest that the Programme support has enabled them to open new branches outside of Monrovia. Even though penetration to the rural areas is still minimal, Programme is gradually helping them to reach outside of Monrovia, thus reaching a poorer population.

Regarding deepening the sector, most of the MFIs are working in urban areas and therefore are not reaching the poorest. However, this is appropriate for the short term due to the poor infrastructure in the country (poor roads, weak communications, lack of banking networks, poor security) and also the MFIs' need to achieve sustainability in a short period of time. Competition from incoming commercial microfinance institutions should compel all retail financial providers to seek poorer clients. ARC is planning to link some of its Village Savings and Loans (VS&L) groups to Liberty Finance. This will help the VS&Ls to benefit from a larger pool of loan funds and also help Liberty Finance to increase its membership. Leaders of other NGOs that promote VS&Ls (e.g. Johncy Empowerment) are normally invited to project activities. They are trying to improve their operations in order to gain access to future Programme funding. Such groups could later be linked to credit unions or MFIs.

Evaluating impact at client, household and business levels was outside the scope of work of the evaluation. Evaluator observation and interviews seemed to indicate that there was good impact at these levels. Clients of MFIs reported growth in businesses, in income, in assets, and in social dimensions (can now send children to school, for example).

Recommendations:

- Ease funding constraints for MFIs so that they have funds for providing new products.
- Support study tours to other practitioners in the region who have products that are not yet found in Liberia (individual loans, remittance-leveraged loans, housing loans, agricultural loans, a full range of savings products, credit-life insurance, links with informal financial mechanisms like *sususu*).
- Fund product development research.

- Build capacity in mobilizing savings, even for those institutions who are not yet deposit-taking institutions.
- Support credit unions and NGOs promoting VS&Ls with Programme funding, so that rural clients are reached cost-effectively.
- Train practitioners in developing and using client poverty assessment tools and cost-effective impact assessment tools.

With an estimated remittance flow of about US \$691 million per annum into the country (CBL November 2007), MFIs could explore the possibilities of entering the money transfer business, and get the chance to use remittances as collateral for individual business loans or longer term housing improvement loans.

Cross-Cutting Question 2: Diagnostics and Assumptions

Key Question 1: Were the Programme assumptions accurate (see 2004 diagnostic, Section B, page 5, and Programme Support Document)?

The country-level diagnostic (2004) specified several essential conditions that must be present and several preferred conditions that should be present in order to build an inclusive financial sector in a post-conflict country.

The essential conditions were:

- Political Stability
- Sufficient Economic Activity that Can Use Credit Services
- Relatively Stable Client Population

The preferred conditions were:

- Functioning Commercial Banks
- Social Capital or Trust
- Macroeconomic Stability

The Programme Support Document also made some assumptions about the results that could be achieved during the time frame of the Programme:

“The short time-frame of this programme (2.5 years) is sufficient to: 1] remove the immediate policy constraints; 2] put in place a framework that allows the government and donors to coordinate funding based on best-practice microfinance from the start, minimizing potential harm to the credit culture; 3] bring immediate benefits for recovery, while identifying potential market leaders that could dramatically scale up activities in a second phase when the peace is fully consolidated; 4] create and provide training to a National Task Force that will develop a National Vision/Strategy for developing microfinance as an integral part of the financial sector; 5] if policy constraints are removed, formulate a longer (5 year) sector development programme in partnership with the government, microfinance institutions and donors.”

Findings:

The assumptions about post-conflict microfinance were correct. In the Liberia diagnostic, the conditions for each assumption were analyzed correctly. However, there was no guarantee that the conditions would remain that way, and so UNCDF took a risk in investing in the Liberia project. It may be useful in the future to add an annex with “mitigation strategies” or “alternative strategies” in case these conditions do not remain stable or improve.

The time frame of the Programme, technically from May 2005 to the present (with the extensions) was long enough to achieve most of the goals of the project, with the exception of policy and regulatory constraints.

Key Question 2: Were the Diagnostics leading to the definition of Financial Inclusive (FI) programs accurate and comprehensive?

Findings:

The diagnostics were comprehensive and accurate, although more analysis of the Banking Law would have been useful, as well as a clear distinction between non-commercial and commercial microfinance. For example, the interest rate cap did not apply to NGO MFIs and did not hinder their ability to charge sustainable rates of interest. In fact, it did not hinder commercial banks either, since they can easily add on fees and other charges to increase their return. Only a law complying retail providers to publish effective rates of interest, in conjunction with a cap on interest rates, would have been an obstacle to commercial microfinance operators. The diagnostic identified reserve requirements as an obstacle for commercial microfinance, which is correct, but did not identify the lack of clarity in start up capital as an issue for commercial MF, and did not analyze the issues around NBFIs vs. commercial banks. Please see Annex I: Country Diagnostic Checklist, for more details on the policy and regulatory environment (baseline in 2004 vs. 2004 Programme diagnostic vs. current status).

Recommendations:

- Use Annex I as a diagnostic tool for new Programme design.
- Add additional time for policy and regulatory changes.

Cross-Cutting Question 3: Capacity Building strategy

Key Question 1: Is adequate capacity in place for FI strategy development and implementation (*among* and *within* all stakeholders including government, funders, consultants)?

Findings:

Capacity still needs to be built. While there is much greater understanding of best practice microfinance, the evaluators still heard, for example, the occasional mention of the benefits of interest rate caps (incorrect). New donors in the sector are primarily concerned with the social and economic benefits of microfinance but are not as clear on its place in the regulated financial sector. More assistance is needed on drafting commercial MF guidelines, and the CBL capacity for supervising needs building. The meso level is still weak and regional expertise will need to be

brought in for the short term. Programme staff need training and TA on commercial MF issues such as the appropriate regulatory environment and supervision of commercial MF.

Key Question 2: Is the right mix of expertise in place for conducting the diagnostic / sectoral review and for supporting the implementation of FI programs in the field?

The Liberia team did not evaluate Regional Office or NY expertise.

Key Question 3: Is the technical expertise in place to understand government's priorities and constraints? Are the soft skills and political instincts in place to dialogue and negotiate complex processes with the governments?

The CTA has a very good appreciation of role of government and has made great efforts to build trust with government entities. She has a clear understanding of their priorities and constraints, and is also advised by UNDP. It was beneficial to the Programme that the CTA had prior experience in this kind of project in Sierra Leone.

The Programme unit has been located in the CBL. Communications from the Programme are drafted by the CBL's MFU and then approved and sent out from the Governor of the CBL. This relationship has many advantages and a few disadvantages. The advantages are that it builds legitimacy and visibility for the Programme's activities, as well as building the importance of MF within the CBL. The disadvantage is that it slows down official Programme communications and activities considerably. This has caused delays, postponement of activities, and has created obstacles to holding the Donor Conference and to approval and implementation of the national MF strategy.

There is another concern related to the promotion of MF by the MFU within the CBL and the eventual supervision of commercial MFIs by the supervisory unit of the CBL, which seems to create the possibility of conflict of interest. Given that the sector is so small, and that the MFU is removed physically from the supervisory unit, this may not be a problem provided the second phase of the Programme is short.

Recommendations:

- Continue to build CBL capacity.
- Build the meso sector through training of trainer activities and pairing of local consultants to regional consultants, and build the MF Network's capacity.
- Create clear distinctions between MFU roles and responsibilities and the supervisory unit's roles and responsibility. Separate training activities. Or, merge the MFU into the supervisory unit and remove the Programme unit from the CBL (perhaps into the Ministry of Planning or into UNDP, or if there is a desire to spin off the Unit into a meso level actor at the end of the Programme, the Unit could be in an independent location).

Cross-Cutting Question 4: Programme flexibility

Key Questions: Is the programme flexible enough to accommodate the changing microfinance environment with diverse and dynamic actors that are radically changing the way people access

financial services within short timeframes (i.e. cell phones companies entering the remittance market, partnerships between non-financial commercial actors and MFIs for the provision of financial services)?

Findings:

The microfinance sector is very young in Liberia and the Programme's approach has been to focus on microcredit. The next step should be savings mobilization. The NGO MFIs are unable to mobilize savings until they convert to deposit-taking institutions, and this is not possible yet under Liberian Bank Law. It may be many years before they are able to convert even once the law permits it, due to the requirements for start up capital. In the next phase of the Programme there could be assistance to credit unions, which are legally able to mobilize savings, and to commercial banks for building their savings products.

Building in flexibility to phase two activities will help the Programme be able to respond to changing needs. The performance framework objectives should be very broad to allow Programme staff (with Regional and NY support) to determine appropriate activities for the changing sector. Programme staff should be exposed to cases in other countries where MF has been linked to the private sector.

Recommendations:

- Work with credit unions and commercial banks in Phase 2 to build their capacity, their savings products, and assist them in developing strategies to capture remittances as savings.
- Assist in supporting changes to the Cooperatives Law.
- Promote dialogue between MFIs (both NGOs and commercial MFIs if possible) and banks regarding partnerships.

Cross-Cutting Question 5: Ownership

Key Questions: Are the right actors included as stakeholders (e.g., private sector, donors, and relevant government champions, new donors such as BRIC countries)? Within stakeholder groups, are the right specific agencies and persons involved to ensure success? Have the key champions for successful interventions been identified? Have the programs been effective in harnessing the role of governments where they can be most beneficial?

Findings:

UNCDF asked the evaluators to assess whether the appropriate stakeholders were included in the Programme. UNCDF is particularly interested in government participation in the programme and whether it has been beneficial to the Programme's goals.

The stakeholders were: the Central Bank of Liberia (MF Unit, Supervisory Unit, and Audit Unit), the Ministry of Planning and Economic Affairs, the Ministry of Finance, and the three donors. The Ministry of Gender was not involved in the Programme, and should have been. The Ministry of Internal Affairs is working with the LDLD component of UNCDF, and is recently interested in microfinance. This seems to be due to demand for credit by LDLD beneficiaries.

The Programme was most closely aligned with the CBL's MFU, and MFU staff and Programme staff are housed together in an annex to the main CBL building. The MFU staff are enthusiastic about microfinance and have a reasonable understanding of best practice MF, thanks to Programme activities (the Boulder MF course, for example). The two staff are fairly senior and have access to the Governor of the CBL. Having said this, microfinance does not seem to be a high priority for the CBL. Microfinance appears in a minor role in the Poverty Reduction Strategy Paper (PRSP) 2008 – 2012 under the third pillar, Revitalizing the Economy. For example, The Microfinance Strategy for Liberia, drafted by the National Task Force with the help of a consultant paid for by the Programme, contains an action plan for promoting inclusive financial sectors. This document was drafted in June 2007 and is yet to be approved. Of course, it is understood that the 18 months of the Programme is a very short period of time, and certainly the Liberian government has many priorities. The lesson here may be that changing the policy and regulatory environment requires a longer period of time than other Programme objectives.

The Supervisory Unit and Audit Unit of the CBL interacted primarily with the MFU rather than with the Programme. Communications about Programme activities, such as invitations to events or trainings, came from the MFU rather than directly from the Programme. This was designed to build the capacity and legitimacy of the MFU, which it did, but it also slowed down communications from the Programme to beneficiaries.

The MoP and MoF were involved in the National Task Force with the MFU staff. The representatives of the MoP and the MoF seem fairly highly placed in their Ministries, but it is difficult to assess how effectively these staff are able to communicate information about MF to their Ministries.

The MFU, MoP and MoF staff were observers to the two Investment Committee meetings held in Liberia, while the CBL MFU staff chaired the Committee. No one from the Government had a vote in the Committee, as per the Programme agreements. If the government had had a vote, this might have required a person with more authority than the government attendees.

In sum, the CBL MFU, MoPEA, and MoF were government stakeholders in the first phase of the Programme, along with the three donors. In this first phase, the Programme was effective in mobilizing government support for building inclusive financial sectors in an appropriate manner.

Recommendations:

- Invite Ministry of Gender and the Ministry of Internal Affairs to attend the National Task Force meetings and to be observers at the Investment Committee meetings.
- Involve the Ministry of Gender in sector capacity building activities.
- Continue to build government capacity in inclusive finance through the same activities as in Phase One.
- Conduct, or ask MFIs to conduct, field visits with government representatives to MFI branch offices and clientele.
- Continue to encourage the government to move forward on approving and implementing The Microfinance Strategy for Liberia.

Cross-Cutting Question 6: Donor coordination around FI programs

Key Questions: What has been UNCDF's experience in coordinating with other donors? How can donor coordination be further improved as part of UNCDF programming?

Findings:

There were no difficulties in coordination between UNCDF and UNDP. There were difficulties in coordination with the donor CORDAID in 2006 and onward. This is due in part to the decentralization of activities from NY to Regional Offices and late arrival of staff on the ground in Liberia, but it did not improve even when staff were recruited in Liberia. CORDAID was not notified of IC meetings in a timely manner, and the proposals were not sent six weeks in advance of the meeting as stipulated by the ToR of the Committee. CORDAID did not receive quarterly or annual Programme progress reports, and is unaware of the Programme's results and impact.

Recommendations:

- Increase the number of Programme staff so that staff are not overloaded and can prepare communications in a timely manner.
- Obtain permission from the CBL for the Programme or the MFU to be able to send out certain types of communications, such as Investment Committee documents, without waiting for the Governor's approval.
- For donors without an in-country presence, give more advance notification, such as a two-month minimum, in communications.

Cross-Cutting Question 7: Scope of Action Plan (AP), priorities and accountability

Key Questions: When APs are designed, are they realistic or over-ambitious? Do APs focus on key priorities? Do APs assign clear roles and responsibilities to the different actors concerned? How do APs differentiate between achievements that can be attributed to public sector players and donors, as opposed to financial sector players (FSP) based on their own individual strategies?

Findings:

The Action Plan is part of a document entitled *The Liberian Strategy for Financial Inclusion (2008-2012)*. The document includes a vision, objectives, strategy, and the action plan. It was written by a consultant and approved by the members of the National Task Force in September 2007. The government has not yet formally approved it.

The document is well written and comprehensive, clearly oriented towards commercially provided financial services as distinct from microfinance from a social perspective. It includes all key stakeholders including the credit unions. It focuses on key priorities. It is organized by level (micro, meso, macro), has all the essential activities for each level, and assigns different responsibilities to the appropriate entities. It also has a suggested timeframe (short, medium, long) for each activity. The Action Plan is ambitious in scope, and, since it was written in 2007 and yet includes the involvement of the Programme unit, it seems to envision a second phase of the Programme for five

years. For example, UNDP Liberia considers this to be a best value-for-money Programme, and has contributed above its committed amount.

Recommendations:

- Continue to encourage the government to move forward on approving and implementing The Microfinance Strategy for Liberia.

Cross-Cutting Question 8: Sustainability of Results

Key Questions: What is the likelihood that the project results will be sustainable, in terms of systems, institutions, financing, and in terms of anticipated poverty reduction impact?

Findings:

Sustainability: Microfinance Institutions

The support to MFIs by the Programme has already contributed to the financial and institutional sustainability of these institutions. These MFIs need ongoing support for several more years. If the Programme continues for another three years in providing support to these MFIs, if their parent organizations also continue to provide support, and if external conditions remain favourable, then these organizations should be able to continue to provide sustainable financial services after the Programme ends.

Sustainability: Financing

If the Programme continues for three more years, its support to MFIs during that time should move gradually from grants, to a combination of grants and soft loans. This was foreseen in CORDAID's contribution to the Programme, which planned to disburse loans.⁶ In the second phase of the Programme, the MFIs should be on their way to transforming to commercial entities (provided the regulatory environment is made suitable and start up capital is available from parent organizations). At this point they will have commercial investors and will be able to access commercial loans. This situation will be more sustainable than grant financing, which is usually erratic and insufficient.

Sustainability: Programme Unit

One of the Programme's goals is to build the meso level of the inclusive financial sector. It is conceivable that at the end of the second phase, the Programme unit might become a for-profit meso level provider of microfinance services. UNCDF might provide an initial subsidy during the last year for creation of a for-profit consulting and research firm with microfinance expertise. The subsidy would cover the cost of the unit moving to a separate location apart from the CBL, and some initial personnel and rent costs (with stipulations such as, for example, 6 months maximum support and 30% of costs). This model has worked in other countries, e.g. Catholic Relief Services in El Salvador.

⁶ In the document furnished to the evaluation team, no terms or conditions were stipulated about the loans.

On the other hand, if these staff are needed in other BIFSA countries and are willing to relocate, UNCDF may prefer this. A decision about which option is chosen can be left until the last year of the Programme.

Sustainability: Impact on the Inclusive financial sector (IFS)

There has been only a small impact on the IFS so far, due to the short term of the Programme. With an additional three years, there should be greater impact. Outreach (“breadth”) has increased, but depth has apparently not.

Sustainability: Impact at the Client Level (individual, household, business)

Assessing the impact at the client level was beyond the scope of this evaluation. However, the evaluation team spoke to a few clients of both the MFIs financially supported by the Programme. These clients were vendor microentrepreneurs in the markets in Kakata, a medium-sized city about 2 hours drive northeast of Monrovia. All reported that their businesses had grown. One reported that he was building a house with his profits. Another reported that she was able to send her children to school. All these clients had borrowed at least three times, and their loan amounts had increased. This information should not be regarded as concrete evidence of impact of the programme, however. The economy is improving overall, as is the security situation. The evaluators surmised that these microentrepreneurs were not severely poor when they started borrowing. Rural populations are not yet being reached.

Cross-Cutting Question 9: Phase 2 Structure

Key Question: What would a second phase of the Liberia LIFS Programme look like?

The Programme Unit would continue to be housed with the CBL MFU. There would be additional staff for handling reconciliations with donors, communications with stakeholders, and coordinating sector events. Consulting firms would be hired for due diligence on MFI investments for the IC. Additional donors would be part of the IC, and would be oriented by the Programme staff on the goals and vision of the Programme. There would be adequate funds for the Programme to operate for the entire second phase, which should be no longer than 3 years.

The primary objectives of the second phase should be:

- Improving the policy and regulatory environment (including credit unions)
- Financing retail inclusive finance providers
- Building the meso sector (for eventual exit of the Programme)

The recommendations from this evaluation would be incorporated into a second phase.

Cross-Cutting Question 10: Exit Strategy after Phase 2

Key Question: What would be a viable exit strategy for after Phase 2?

The long term function of the CBL MFU should be discussed with stakeholders. It is currently not a supervisory unit, but a MF promotion unit. Once the national MF strategy is approved, the MFU could monitor and advise government entities on this. Otherwise, the MFU staff might be absorbed into the supervisory unit of the CBL.

The IC can be disbanded at the end of phase 2, or if members prefer to continue, they can do so without Programme support. If the IC continues without Programme support, it will need to set up another mechanism for monitoring investments and enforcing performance contracts. This could be subcontracted to an independent consulting firm.

The Programme unit may be dismantled. Another option for the Programme Unit is to do a market study six months before the end of the Programme and assess the need for another meso level consulting firm. If there is need, the Programme Unit might be spun off, with its assets (staff and equipment) into an independent consulting firm. It would need another location outside of the CBL.

Reinforcing the MF Network will during phase 2 create another quality control mechanism for the sector, and another actor that can continue the dissemination of best practices for the inclusive financial sector.

Once the regulatory environment for commercial MF is clarified in phase 2, this will pave the way for the growth of the commercial MF sector without further Programme support.

Lessons Learned:

- The CTA's previous experience from the Sierra Leone Programme, and general experience in best practice microfinance, was very beneficial for the Liberia Programme. This experience helped her to accomplish most of the Programme objectives despite the limited time.
- Donors in this post-conflict environment were channelling funds to emergency activities rather than development activities until very recently, and this hindered fundraising.
- Progress in reforming the policy and regulatory environment was slower than expected.
- The Working Group of the CBL was formed but did not work as a separate entity. Instead, it functioned more as a subcommittee of the National Task Force.

Conclusion

As a post conflict country with major economic problems, the government and other aid organizations in Liberia are committed to poverty reduction - fortunately all stakeholders in the LIFS project have identified microfinance as a great tool that could help to achieve the Poverty Reduction Strategy goals. With the help of experienced staff, the project has generally been able to achieve most of its objectives, even though it was implemented over a short eighteen month period. To date, project activities have created overwhelming microfinance awareness in the sector, and MFIs, banks and other entities in the financial service sector have been sensitized to create an inclusive environment where customized services would be available to clients of different categories. With availability of funds and regular access to credit, more vulnerable clients could be reached and gradually nurtured to fit into the mainstream. This process will eventually help to reduce absolute poverty - thus achieving a key Millennium Challenge goal.

The evaluation team has therefore recommended a second phase of the project with consistent direct funding and capacity building programs for MFIs and credit unions. The regulatory environment must also be streamlined to allow more MFIs, banks and other institutions interested in microfinance to enter the sector and create a competitive environment that promotes growth and expansion. Efforts should however be made to promote best practices in microfinance, in order to make beneficiary MFIs profitable and sustainable, even after the project. This way, the dependency theory will not be repeated.

Annexes

- Annex A: Liberia Final Evaluation Terms of Reference
- Annex B: Map of Liberia
- Annex C: Calendar of Activities
- Annex D: List of people interviewed
- Annex E: List of Documents Reviewed
- Annex F: Bios of Consultant Team
- Annex G: Performance Framework
- Annex H: Programme Chronogram
- Annex I: Country Diagnostic Checklist
- Annex J: SWOT
- Annex K: Rapid Appraisal of MFIs' MIS

***TERMS OF REFERENCE
FOR A FINAL EVALUATION
LIBERIA***

1.0. Purpose of the Evaluation

The project document calls for an independent evaluation. The general objectives of the final evaluation are: to assist the recipient Government, beneficiaries, and the concerned co-financing partners, to improve the efficiency, effectiveness, relevance and impact of the project; to provide feedback to all parties to improve the policy, planning, project formulation, appraisal and implementation phases; and to ensure accountability for results to the project's financial backers, stakeholders and beneficiaries. The evaluation will be forward-looking, offering lessons learned and recommendations to improve program performance or national policy to input into a follow on project.

The expected outcome of this Final Evaluation is a strategic review of project performance to date, in order to:

- Help project management and stakeholders identify and understand (a) successes to date and (b) problems that need to be addressed, and provide stakeholders with an external, objective view on the project status, its relevance, how effectively it is being managed and implemented, and whether the project is likely to achieve its development and immediate objectives, and whether UNCDF is effectively positioned and partnered to achieve maximum impact.
- Provide project management and stakeholders with recommendations capturing additional opportunities, to be incorporated into the follow on project.
- Help project management and stakeholders assess the extent to which the broader policy environment remains conducive to replication of the lessons being learnt from project implementation and/or identify exit strategies.
- Help project management and stakeholders to draw initial lessons about project design, implementation and management.
- Comply with the requirement of the Project Document/Funding Agreement as well as UNCDF Evaluation Policy.

The findings of this End of Project Evaluation will be reported to the Government and relevant stakeholders, and presented to the Investment Committee and the National Microfinance Task Force to help its decision-making process.

2.0. Contents and Scope of the Evaluation

Taking into account the implementation status of the program and the resource disbursements made to date, evaluate the following questions:

Key Focus Areas:

2.1. Building Best Practice Inclusive Finance Providers

Key Question: Was the BIFSA country-level approach effective at building best practice MFIs/CUs?

- Did the Project achieve targets (as per logframe intended results and indicators)? What factors (internal and external) facilitated or obstructed the results?
- Did organizations funded by the Project achieve targets (as per performance contracts)? What factors (internal and external) facilitated or obstructed the results?
- How do organizations funded by the Project compare to their benchmarks (as per The Mix Market)?

2.2. Quality and Quantity of Investment in the Inclusive Financial Sector

Key Question: Did BIFSA country-level activities lead to greater investment in the national inclusive financial sector?

- Has there been an increase in public and private sector investment in the inclusive financial sector? From whom and how much? Can this increase be attributed to BIFSA?
- If there has been an increase in investment, has the increase contributed to a broader and more inclusive financial sector? If not, why not?

2.3. Broadening and Deepening the Sector

Key Question: Did BIFSA country-level activities lead to development and diffusion of a greater diversity of products and services reaching a more inclusive population? Which products? How inclusive?

- Has there been an increase in the number and types of products offered by BIFSA partners? By non-BIFSA partners? Can this increase be attributed to BIFSA?
- If there has been an increase in products and services, has the increase contributed to a broader and more inclusive financial sector? If not, why not?

2.4. Improving the Quality of the Sector

Key Question: Did BIFSA country-level activities lead to diffusion and application of sound microfinance practices?

- Has there been an increase in the number of sustainable inclusive finance providers? Have commercial banks entered the market?
- Is there more competition between actors? Have interest rates fallen for clients?

2.5. Improving Policy and Regulatory Environment for Inclusive Finance

Key Question: Did BIFSA country-level activities lead to a policy and regulatory environment that is more conducive to inclusive finance?

Have policy constraints been removed? Has this improved the quality and quantity of inclusive finance providers?

Is there a national MF policy? Is the government committed to building inclusive financial sectors? In what way? Has this been effective?

Additional Questions to be Addressed

2.6. Sustainability of Results and Exit Strategy/Post Project Planning

- What is the likelihood that the project results will be sustainable, in terms of systems, institutions, financing, and in terms of anticipated poverty reduction impact?
- How would a follow on project be structured?

Cross-Cutting Questions to be Addressed

2.7. Diagnostics

- Were the Diagnostics leading to the definition of Financial Inclusive (FI) programs accurate and comprehensive?
- Were the diagnostics broad enough to include the full scope of the pro-poor financial sector and forward-looking?
- Did they adequately identify the key bottlenecks at the policy levels (especially in relation to the regulatory framework), and at meso levels (including the financial infrastructure, payment systems, credit bureaus, audit capacity at the national level)?

2.8. Capacity Building strategy

- Is adequate capacity in place for FI strategy development and implementation (*among* and *within* all stakeholders including government, funders, consultants)?
- Is the right mix of expertise in place for conducting the diagnostic / sectoral review and for supporting the implementation of FI programs in the field?
- Is the technical expertise in place to understand government's priorities and constraints?
- Are the soft skills and political instincts in place to dialogue and negotiate complex processes with the governments?

2.9. Program flexibility

- Is the program flexible enough to accommodate the changing microfinance environment with diverse and dynamic actors that are radically changing the way people access financial services within short timeframes (i.e. cell phones companies entering the remittance market, partnerships between non-financial commercial actors and MFIs for the provision of financial services).
- Is the program able to minimize the time lag between a sector assessment and the implementation of its programs in the field?

2.10. Ownership

- Are the right actors included as stakeholders (e.g., private sector, donors, and relevant government champions, new donors such as BRIC countries)?
- Within stakeholder groups, are the right specific agencies and persons involved to ensure success?
- Have the key champions for successful interventions been identified?
- Have the programs been effective in harnessing the role of governments where they can be most beneficial.

2.11. Donor coordination around FI programs

- What has been UNCDF's experience in coordinating with other donors?
- How can donor coordination be further improved as part of UNCDF programming?

2.12. Scope of Action Plan (AP), priorities and accountability

- When APs are designed, are they realistic or over-ambitious?
- Do APs focus on key priorities?
- Do APs assign clear roles and responsibilities to the different actors concerned?
- How do APs differentiate between achievements that can be attributed to public sector players and donors, as opposed to private sector players (FSP) based on their own individual strategies?

3.1. Consultant profiles and responsibilities

The Final Evaluation is to be conducted by a team of two to three consultants, with the profiles outlined below.

External Lead Consultant

Profile

- Minimum of ten years accumulated experience in microfinance
- A minimum of five years of microfinance management and/or consulting experience
- Must have proven evaluation experience in microfinance
- Extensive microfinance training and technical assistance experience
- Comprehensive knowledge of CGAP benchmarks and industry best practices
- Advanced report writing skills
- Experience at the country wide sector level/understanding of building inclusive financial sectors, preferably in Africa

Responsibilities

- Documentation review
- Leading the evaluation team in planning, conducting and reporting on the evaluation.
- Deciding on division of labour within the evaluation team
- Use of best practice evaluation methodologies in conducting the evaluation
- Leading presentation of the draft evaluation findings and recommendations in-country
- Conducting the debriefing for UNCDF HQ and regional staff
- Leading the drafting and finalization of the evaluation report

Local Consultant(s)

Profile

- A minimum of three years of management experience with a Liberian MFI or related technical service institution.
- Microfinance training and technical experience
- Knowledge of CGAP benchmarks and industry best practices

Responsibilities

- Documentation review
- Contributing to the development of the evaluation plan and methodology
- Conducting those elements of the evaluation determined by the lead consultant
- Contributing to presentation of the evaluation findings and recommendations at the evaluation wrap-up meeting
- Contributing to the drafting and finalization of the evaluation report.

4.0 Evaluation methodology

The evaluators will determine the methodology for the evaluation, using best practice evaluation planning and methodologies, which will include, among other things, key informant interviews, focus group discussions with clients, questionnaires, documentation review, as appropriate. As far as possible the Evaluation Team will triangulate evaluation findings, using multiple sources/methodologies. Wherever possible, all evaluation data should be disaggregated by gender. Whilst this evaluation does not focus on achievement of outcomes or impact, indications of such should be sought using qualitative methods,

including consultations with the intended clients of the project. The evaluation should include all key stakeholders.

The evaluators will interview the MFI program directors, senior management and clients of the two MFI financially supported by the project. Time is scheduled for a light review of financial statements and MIS reports. Time will be allotted to interview some MFIs that have not received funding through LIFS and meeting with Board members.

5.0. Evaluation Plan

Specifically the evaluation will comprise the following stages:

- Partners consultations and briefing: The lead consultant will be briefed by telephone prior to the fieldwork by the relevant evaluation, technical and program staff.
- Review of relevant documentation: A list of key reference documents and people to be interviewed will be provided.
- Finalization of evaluation work plan: On the first day of the evaluation mission, the Evaluation Team will review the draft evaluation workplan and make any adjustments they see fit, taking into account practical and logistical considerations.
- In-country briefing: The Evaluation Team will be briefed on the first day of the evaluation mission by program stakeholders. All relevant documentation not already sent in advance to the Evaluation Team will be provided by the LIFS project secretariat..
- Evaluation fieldwork: Conducted in Monrovia, and locations where supported MFIs are based. As far as possible, the Evaluation Team should discuss findings with beneficiaries and stakeholders at each stage of the evaluation and obtain their feedback.
- Preparation of Aide Mémoire and presentation for evaluation consultation meeting: On the basis of its findings, the Evaluation Team will prepare an aide memoire, which will be shared, through the in-country evaluation focal point, with all key stakeholders and with the UNCDF Evaluation Unit prior to the in-country evaluation consultation meeting as a basis for discussion.
- Evaluation consultation meeting: At the meeting, the Evaluation Team will present their key findings and recommendations to key stakeholders for discussion. The minutes of the meeting will be submitted promptly to the UNCDF Evaluation Advisor, all key stakeholders, and to the Evaluation Team, for their consideration in drafting the evaluation report.
- Draft evaluation report and Evaluation Summary: The lead consultant will submit a Draft Evaluation Report and Evaluation Summary to the UNCDF Evaluation Adviser, which will be circulated to all key stakeholders for comment.
- A phone evaluation debriefing for UNCDF Microfinance and management staff will be provided by the lead consultant. The Evaluation Advisor will take minutes of the debriefing, which will be submitted promptly to the lead consultant, for his/her consideration in finalizing the evaluation report and summary.
- The Final Evaluation Report and Evaluation Summary will be submitted by the lead consultant to the UNCDF Evaluation Adviser, who will disseminate it to all key stakeholders.

6.0. Deliverables

The lead consultant is responsible for preparing and submitting the following deliverables:

- Aide Mémoire: A summary of key evaluation findings and recommendations prepared towards the end of the evaluation and submitted to the LIFS project secretariat and the UNCDF Evaluation Unit before the Evaluation Consultation Meeting.
- Draft Evaluation Report and Evaluation Summary: The lead consultant is responsible for consolidating the inputs of team members, and taking into consideration comments received at

the in-country evaluation consultation meeting, to produce a coherent Draft Evaluation Report and Evaluation Summary, according to the format in **Annex 3**. The Draft Report and Summary is to be submitted electronically to the UNCDF Evaluation Advisor.

- Final Evaluation Report and Evaluation Summary: Based on comments received on the Draft Evaluation Report, and at the UNCDF evaluation debriefing, the lead consultant will finalise the evaluation and summary, with input from other evaluation team members, as required, and submit the Final Evaluation Report and Summary to the UNCDF Evaluation Advisor within five days of the receipt of the minutes of the UNCDF evaluation debriefing, or by the agreed date.

7.0. Reporting Arrangements, and Administrative/logistical support of the Evaluation

Country Evaluation Team Leaders report to the Core Team Leader of the IRIS Team.

8.0. Administrative/logistical support of the Evaluation

UNCDF and UNDP offices in country will provide logistical and administrative support.

**Annex C: Calendar of Activities
Liberia LIFS Final Evaluation
Joan Hall & Joyce Manu
November 23– December 5, 2008**

No.	Agency	Head	Position	Day	Date	Timeframe	Venue
1		Arrival of Consultants in Liberia		Sunday	23 Nov. 08	Afternoon hours	RIA
2		Security Briefing		Monday	24 Nov. 08	9:30am	UNDP
3	LIFS	Kenyeh Barlay	Country Technical Advisor	Monday	24 Nov. 08	10:00am	CTA'S Office
4	CBL Microfinance Unit	J. Cyrus Saygbe	Admin. & Fin. Asst.	Monday	24 Nov. 08	11:00am	
		Mr. Kolli S. Tamba	Sr. Advisor Multilateral Projects	Monday	24 Nov. 08	11:05am	Sr. Advisor's Office
		Mr. J.C.N. Howard	Sr. Analyst	Monday	24 Nov. 08	12:00 noon	TBA
		LUNCH		Monday	24 Nov. 08	1:00pm	
5	UNDP/Programme	Maria Threase-Keating	DRR/Programme	Monday	24 Nov. 08	2:00pm	DRR/P Conference room
6	Review Documentations and continue interview with staff			Monday	24 Nov. 08	3:00pm	LIFS Office

Tuesday (November 25, 2008)

No.	Agency	Head	Position	Day	Date	Timeframe	Venue
7	LIFS	Kenyeh Barlay J. Cyrus Saygbe	Country Technical Advisor Admin. & Fin. Asst.	Tuesday	25 Nov. 08	10:00a.m. 11:00a.m.	CTA's Office
8	Central Bank of Liberia (CBL)	Mr. Kolli S. Tamba Mr. J. C. N. Howard	Senior Advisor/Multilatera l Relation & Special Projects Sr. Analyst	Tuesday	25 Nov. 08	11:05 a.m. 11:55 a.m.	Sr. Advisor's Office
9	Liberty Finance	Enamul Sarkar	Programme Manager	Tuesday	25 Nov. 08	12:10 a.m. 1:10 p.m.	Liberty Finance's Office
		LUNCH		Tuesday	25 Nov. 08	1:10pm 2:10p.m.	TBA
10	LEAP	Francisco Pastoral	Executive Director	Tuesday	25 Nov. 08	2:20pm 3:20pm	LEAP's Office

11	Cuttington University	Dr. William Saa Salifu	Vice President for Academic Affairs	Tuesday	25 Nov. 08	4:00pm	5:00pm	Cuttington Campus
13	Meet with Microfinance Foundation Course Students			Tuesday	25 Nov. 08	5:00pm	5:20pm	Cuttington Campus

Wednesday (November 26, 2008)

14	Ministry of Planning/Microfinance	Mr. Charles Nyema	Sr. Economist	Wednesday	26 Nov. 08	10:00am	11:00am	Ministry of Planning
15	Ministry of Finance/Micro-Fiscal Unit	Boimah Kadli	Sr. Analyst	Wednesday	26 Nov. 08	11:20am	12:20pm	Ministry of Finance
	LUNCH			Wednesday	26 Nov. 08	12:30pm	1:30pm	TBA
16	Participate in National Microfinance Taskforce Meeting			Wednesday	26 Nov. 08	2:00pm	3:00pm	LIFS
17	Ecobank	Morenike Adepoju Jacob Boimah	Managing Director Country Head/Microfinance	Wednesday	26 Nov. 08	4:00pm	5:00pm	Ecobank Office/Ashmun Street

Thursday (November 27, 2008)

18	International Finance corporation	William Bako Freeman	Program Coordinator	Thursday	27 Nov. 08	10:00am	11:00am	Liberia Better Business Forum Office
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19	Review Documentations		Thursday	27 Nov. 08	11:30am	12:30am	LIFS
	LUNCH		Thursday	27 Nov. 08	1:00pm	2:00pm	TBA
20	University of Liberia	Prof. Geegbae A. Geegbae	Acting Dean/Business College	Thursday	27 Nov. 08	3:00am	University of Liberia's Campus
21	Review Documentations		Thursday	27 Nov. 08	4:30pm	5:00pm	LIFS

Friday (November 28, 2008)

No.	Agency	Head	Position	Day	Date	Timeframe	Venue
22	LEAP Board of Directors		Chairman	Friday	28 Nov. 08	10:00am	LEAP Office
	American Refugee Committee		Country Director	Friday	28 Nov. 08	12:00pm	ARC's Office
	LUNCH			Friday	28 Nov. 08	1:00pm	TBA
23	LEAD	Allen Gweh	Program Manager	Friday	28 Nov. 08	3:00pm	LEAD Office
24	Review Documentation			Friday	28 Nov. 08	4:15pm	LIFS

Monday (December 1, 2008)

	Monday (December 1, 2008)							
25	BRAC	Mr. Mohammed Abdoul Salam	Country Manager	Monday	1 Dec. 08	10:00am	11:00pm	BRAC's Office
26	LCUNA	Mr. Richard Reeyah Mr. Henry G. Valhmu	Executive Director Consultant	Monday	1 Dec. 08	11:30am	12:30pm	LCUNA's office/Redlight
		LUNCH		Monday	1 Dec. 08	1:00pm	2:00pm	TBA
27	Access Bank	Mary Odong	President	Monday	1 Dec. 08	3:00pm	4:00pm	Access Bank/Mamba Point
28	MIA	George Kollie		Monday	1 Dec. 08	4:15pm	5:00pm	MIA

Tuesday (December 2, 2008)

29	Travel to Kakata & Return same day							Liberty Finance Clients
				Tuesday	2 Dec. 08	10:00am	4:00pm	

Wednesday (December 3, 2008)

No.	Agency	Head	Position	Day	Date	Timeframe	Venue
30	LBDI	Mr. Francis A. Dennis	President	Wednesday	3 Dec. 08	10:00am	LBDI Office
31	Ministry of Gender	Hon. Varbah Gayflor	Minister	Wednesday	3 Dec. 08	11:30am	Ministry of Gender
		LUNCH		Wednesday	3 Dec. 08	12:30pm	TBA
32	Participate in National Task Force Meeting			Wednesday	3 Dec. 08	3:00pm	CBL Training Center

33	Johncy Enterprises	Mr. John Messari	Executive Director	Wednesday	3 Dec. 08	4:15pm	5:15 pm	LIFS
Thursday(December 4, 2008)								
34	UNHCR		Country Representative	Thursday	4 Dec. 08	10:00am	11:00am	UNHCR
35	UNIFEM		Country Representative	Thursday	4 Dec. 08	11:30am	12:30pm	UNIFEM
			LUNCH	Thursday	4 Dec. 08	1:00Pm	2:00pm	
36	Preparation of Aide Memoire & Preparation of Evaluation Debriefing			Thursday	4 Dec. 08	2:15pm	5:00am	LIFS
Friday (December 5, 2008)								
37	Meeting with National Microfinance Stakeholders			Friday	5 Dec. 08	10:00am	1:30pm	PA Ribhouse
38	Debriefing with LIFS			Friday	5 Dec. 08	3:30pm	4:30pm	LIFS Office
Saturday (December 5, 2008)								
	Departure of Consultants from Liberia			Saturday	6 Dec. 08			RIA

Annex D: List of People Interviewed Liberia Final Evaluation

Kenyeh Barlay, UNCDF Technical Advisor in Liberia, Member of IC
Charles Nyema, Senior Economist, Ministry of Planning, Microfinance Unit, Working Group member, Member of IC
Boimah Kadii, Senior Analyst, Ministry of Finance, Microfinance Unit, Working Group Member
Kolli S. Tamba, Sr. Advisor Multilateral Projects, CBL Microfinance Unit, Member of IC
J.C.N. Howard, Sr. Analyst, CBL Microfinance Unit, Member of IC
Maria Threase-Keating, DRR/Programme, UNDP/Programme
Enamul Sarkar, Programme Manager, Liberty Finance
Francisco Pastoral, Executive Director, LEAP
Dr. William Saa Salifu, Vice President for Academic Affairs, Cuttington University
Joseph Sadyue, Professor, Business Dept, Cuttington Univ.
Dr. Breka, Dean Business School, Cuttington University
R. S Kawolo, Adm. Asst., Cuttington University
Jacob Boimah, Country Head/Microfinance, Ecobank
Allan, ED , LEAD
D. Maxwell Kemayah, Microfinance Network of Liberia
Prof. Geegbae A. Geegbae, Acting Dean/Business College, University of Liberia
Rev. Brown, LEAP Board of Directors
Saad Karim, Country Director, American Refugee Committee
Mohammed Abdoul Salam, Country Manager BRAC
Farhad, BRAC
Richard Reeyah, Executive Director, LCUNA
Henry G. Valhmu, Consultant, LCUNA
Christoph Ziegler, LFS Financial Systems GmbH, Acting President, Access Bank
Mr. Francis A. Dennis, President, LBDI
Country Representative, UNIFEM
Ben Matranga, Country Manager, OSIWA
Nyanfore Nimely, Nimely and Associates, Inc. and professor at Cuttington University
Saki, Liberty Branch Manager, Kakata
Liberty Clients, Kakata - Kumba Bari, Gaima, Julius Flomo, Musu Reeves, Cecelia Quayquay
Forkpa – Branch Manager, Leap Kakata
Leap Clients, Kakata - Cynthia Dehkpah, Jimmy Mulbah
Olivaia Jones, Branch Manager (Monrovia), Liberty MFI
Mosiah, Credit manager, Liberty
Sekou Beysolow, MIS Officer, Liberty
Mr Magnus Gayflor Sr., Operation Director, Leap
Mr, Henry Gayflor, Finance director, Leap
Gabriel Jackson, HR Director, Leap
Jhon Manning, CHF-LEDFC
William Freeman, IFC
Tak and Katino, UNIFEM
Honorable Varbah Gayflor, Minister, Ministry of Gender
Francis Dennis, Manager, LBDI
George Kolli, Assistant Program Manager, Community Services, Ministry of Internal Affairs
Milton Weeks, Chair, Bankers' Association

Annex E: List of Documents Reviewed Liberia Final Evaluation

Programme Documents

Sector Diagnostic 2004 and 2007

Investment Committee minutes (3)

MFI proposals to IC (business plan and applications)

Independent assessments of MFIS

MFI Grant Agreements

National MF Vision Strategy and Action Plan Draft

1999 Banking Law

Amendments to 199 Banking Law - MF (gazetted)

Project Appraisal Committee Meeting

National Task Force and Working Group minutes

Quarterly Reports Leap

Quarterly Reports Liberty

Audited financial statements both MFIs

Annual Reports from LIFS to UNCDF Dakar

Mix Market reports on MFI partners

Donor brief on investing in Liberia for upcoming donor conference

Unsung Heroes Awards material

Job descriptions LIFS staff

Annual Work Plans LIFS to UNDP Liberia

Quarterly reports LIFS to UNCDF Regional office (Dakar)

Report on Monitoring Exercise for Microfinance Institutions

New UNCDF reporting format

IC criteria for funding applications

IC ToR

ToR National Task Force

ToR CBL Working Group

Formulation mission draft

Presentation by K Barlay to formulation mission PPT

Minutes from national stakeholders meeting – presentation evaluation results

Annex F
Liberia Final Evaluation
Bios of Consultant Team Members

International Team Leader: Joan Hall

Ms. Hall is French-speaking and has more than 20 years experience in micro, rural and SME finance in Africa and other regions. She has conducted evaluations of micro and rural finance programs serving micro and small businesses in Africa, specifically in Guinea, Senegal, Ghana and Zimbabwe. These included assessments of two MFIs that had undergone transformation into regulated financial institutions: Sinapi Aba in Ghana and Zambuko Trust in Zimbabwe. Ms. Hall conducted MFI and market assessments for phase one of a five-year programme that is supporting financial sector development in Sierra Leone. She has worked with credit unions and cooperatives as providers of rural finance. She participated in the final evaluation of the African Development Bank's AMINA microfinance program, and then later assisted the Bank in analyzing and revising their micro finance policy and strategy, working with stakeholders from AfDB, foundations, donors and private firms operating in Africa. She has also conducted evaluations in Latin America. Ms. Hall has extensive knowledge of CGAP best practice principles and financial sector development for finance. She contributed as editor to ACCION International's Private Sector Handbook for Inclusive Finance, soon to be published by McGraw-Hill. She recently conducted a policy analysis for thirteen African countries for CARE International, to support the launch of their Access Africa program.

International Team Member: Joyce Manu

Ms. Manu is a PhD student at Waldern University in the US. She holds a Master's Degree in Business Administration from the University of Phoenix (August, 2007). She is a Ghanaian, resident of Canada. She is currently employed by the George Brown College, in Toronto, Canada, where she teaches business concepts and personal finance. She has experience in training and research on global business issues. She has worked with the Royal Bank of Canada, where she was a Customer Assistance Officer and Trainer. Previous to coming to Canada, she worked at the Ghana Cooperative Credit Unions Association (CUA) for three years, as a Project Officer. In that position, she developed training materials for credit union officials and trainers, trained trainers to deliver credit management training programs to credit union members, and wrote monthly and quarterly progress reports to donors.

National Consultant: Foley Freeman

Mr. Freeman holds a Bachelor of Science degree in Crop Science from the University of Ghana, and a Master of Science degree in Agricultural Economics from the University of Ibadan. He is currently the Country Director of a Liberian NGO, SEND, and is responsible for strategic planning, risk management assessment, proposal writing, fund raising, and reporting to donors. Previous to this, he worked in Ghana as a Financial & Administrative Manager for five years, where he designed financial controls, managed accounts, and prepared and monitored budgets. His recent consultancies include taking part in the Formulation of the Second Phase of the Liberia BIFSA Project, preparation of a mini-proposal for the development of a peace building and capacity building program for Liberia and Sierra for ICCO, Netherlands, development of a business training manual and training program for youths in Northern Ghana for Oxfam UK, and preparation of a Business plan for Micro-finance projects for local NGOs in Ghana.

**Annex G
Liberia Final Evaluation**

Performance Framework

Intended Outcome as stated in the Country Results Framework: Contribute to the achievement of the Millennium Development Goals, including the overarching goal of cutting absolute poverty in half by 2015, by increasing sustainable access to financial services for the poor from Liberian microfinance institutions and commercial banks.

Outcome indicator as stated in the Country Programme Results and Resources Framework, including baseline and target: A combined active client base of the microfinance industry of 22,000 active clients in year 2.5 (baseline 8,200 active clients in year 0).

Applicable Strategic Area of Support (from SRF 2.5) and TTF Service Line (if applicable): Development of a sustainable inclusive financial sector

Partnership Strategy: Government, Donors, Private Sector, MFIs

Project Title and number: LIB/O4/CO1

Intended Outputs	Output Targets for (years)	Comments on Targets	Actual (Sept 08 or Nov/Dec 08)	Source Documentation	Success or failure factors	Indicative Activities	Activities Accomplished?	Findings/Conclusions
1. Potential leaders of the microfinance industry have addressed institutional weaknesses that allow them to make clear progress toward sustainability and considerably increase their outreach to launch an Inclusive Financial Sector	1. Increase in number of active clients of selected MFIs Baseline: 8,200 active clients in the entire sector -22,000 active clients by end of year two and a half (30 months) 2. At least three MFIs have received grants and technical assistance that produce	1. Should say "active loan clients" because the baseline number refers to loan clients; "selected" is not defined; No target for women?; Baseline is for the entire sector. 2. "substantial" is not defined;	1. 30,000 loan clients (Leap 7,000, Liberty 6,000, Ecobank 7,000, credit unions > 10,000) 2. Two MFIs were funded with grants; 4 other institutions applied but were denied Leap increase in loan clients from 1,000 to 7,003;	UNCDF Quarterly Reports; Liberty and Leap Narrative Quarterly Reports to UNCDF	Parent organizations of MFIs contributed funds and expertise; Funds ran out before end of Project; Not enough fundraising activities, and attempts by Project to raise funds were slowed down by CBL; Both MFIs currently have expat EDs (not due to Project); Improving roads and security.	- Identify and select potential future leaders of the microfinance sector based on criteria - Institutional assessments of MFI proposals - Sign Grant/loan agreements with selected MFIs, with funding released in tranches based on performance - Provide capacity building and capital support to	Yes There was one independent assessment of 2 MFI in 2005; other assessments were done by Project staff; There were grant agreements signed with MFIs; Funding was released in tranches;	Project started late; 2 MFIs' performance went up and down during the Project time period but overall results were good; Funds ran out in May 2007 and this affected MFI ability to achieve breakeven and launch new products; No funding was provided to commercial banks (one applied but the proposal was weak).

<p>2. Strategic partnerships are built with other donors and private sector in joint support of an Inclusive financial sector.</p>	<p>substantial improvements from baseline in outreach, portfolio quality and profitability</p>	<p>1) “Strategic partnerships” is not defined nor quantified; 2) “Coordination” is not defined nor quantified; 3) “Cost sharing” not defined; No numeric targets! Maybe “raise funding shortfall off US\$1,523,450” ? Clause about policy constraints is</p>	<p>PAR from 50% to 5% (Dec 08); AROA from -130% to -10%. Liberty increase in loan clients from 697 to 6,137; PAR from 0% to 6% (Dec 08); AROA from -185% to -6%.</p>	<p>Investment Committee Minutes; Interviews with Stakeholders</p>	<p>Resource mobilization is not prioritized. Project efforts to raise funds are slowed down by government partner (CBL) (example: Donor Conference being delayed several times); poor donor communications; short term of project; no resource mobilization occurred in first 2 years of project before staff on the ground; Donors reluctant to invest in Liberia during times of</p>	<p>selected MFIs as per MFI proposals/agreements - Organize exposure programs to top performing MFIs in other countries.</p>	<p>Tranches were released as per performance targets</p>	<p>IC not institutionalized(only 2 meetings, not every six months). Only 3 entities with voting rights. No quorum defined. Future donors seem to be attracted to the concept of the IC due to participation of Project staff with expertise in MF as well as to possibility of learning more about MF and coordinating with other donors. Donors do not seem interested in the concept of leveraging funds – they have their own funding. Their project agendas may not coincide with LIFS goals. Potential conflict of interest with Project staff vetting/recommending investments as well as providing their expertise to donors. Costly and environmentally</p>
<p>2. Strategic partnerships are built with other donors and private sector in joint support of an Inclusive financial sector.</p>	<p>1) Strategic partnerships that enable MFIs access to capital (grants, loans [hard and soft] and commercial equity) are established initially in year 1, then expanded. 2) Coordination amongst donors/investors from year 1 as donors/investors utilize investment committee framework. 3) Resources</p>	<p>1) “Strategic partnerships” is not defined nor quantified; 2) “Coordination” is not defined nor quantified; 3) “Cost sharing” not defined; No numeric targets! Maybe “raise funding shortfall off US\$1,523,450” ? Clause about policy constraints is</p>	<p>No new partners in investment committee. No additional funding mobilized except from a current donor (UNDP); MFIs funding-constrained. Some policy constraints still exist for commercial banks.</p>	<p>Investment Committee Minutes; Interviews with Stakeholders</p>	<p>Resource mobilization is not prioritized. Project efforts to raise funds are slowed down by government partner (CBL) (example: Donor Conference being delayed several times); poor donor communications; short term of project; no resource mobilization occurred in first 2 years of project before staff on the ground; Donors reluctant to invest in Liberia during times of</p>	<p>- Establish Investment Committee. - Policy constraints removed - Develop standardized performance agreements, and MFI reporting. - Build partnerships with other donors - Formulation mission for Second Phase programme document - Mobilization of resources for Phase II of Project</p>	<p>IC exists but has only met twice in-country in 23 months (was supposed to meet 2x/year). Policy constraints – there are now some guidelines on commercial MF regulations (11/26/08). See country diagnostic checklist for more details. Start up capital for NBFII not defined – in one case they were charged half of a commercial bank</p>	<p>IC not institutionalized(only 2 meetings, not every six months). Only 3 entities with voting rights. No quorum defined. Future donors seem to be attracted to the concept of the IC due to participation of Project staff with expertise in MF as well as to possibility of learning more about MF and coordinating with other donors. Donors do not seem interested in the concept of leveraging funds – they have their own funding. Their project agendas may not coincide with LIFS goals. Potential conflict of interest with Project staff vetting/recommending investments as well as providing their expertise to donors. Costly and environmentally</p>

<p>3. A professional microfinance working group in the Central Bank of Liberia is trained and operational. It is capable of ensuring an optimal enabling environment for the launch of the microfinance industry and its eventual integration into the financial system.</p>	<p>mobilized for MFIs for Second Phase as cost-sharing, parallel financing (an additional US\$ 6 million) if policy constraints (interest rate ceilings, excessive reserve requirements) have been addressed</p>	<p>not relevant to NGO/MFIs, and it is not clear how it relates to the other goals – should have been simplified overall.</p>	<p>Working group comprised of 4-5 depts of the CBL existed for a short time, abandoned due to lack of participation. MF standards were disseminated by Project rather than developed (already existed); National strategy exists in draft form;</p>	<p>Working group minutes – Only one meeting minutes. National MF Strategy draft; Banking Regulations. New (Nov 08) amendment to banking regulations which includes some clauses on MF</p>	<p>insecurity. (Liberia now emerging from this) UNCDF office small and under UNDP so donors did not realize UNCDF had MF expertise (branding needed);</p>	<p>- Develop a CBL microfinance Working Group TOR and staffing - Establish Working Group - Provide/arrange training to staff (‘Boulder’ CGAP Microfinance Course) - Organize exposure visits to other Central Banks. - Support development of industry standards through CBL</p>	<p>startup. Standardized performance agreements exist and reporting as well. No new donor partnerships. Formulation mission has come and gone (last week) Mobilization for next phase – there are some new donors who may be interested in contributing via IC.</p>	<p>harmful to fly in members. IC met infrequently and could not provide funds when MFIs needed them. At evaluation time, staff being pulled in many directions in order to meet potential new donors’ and other actors (eg MIA) needs for information and expertise on BP MF. Value of IC to investors is not established.</p>
<p>3. A professional microfinance working group in the Central Bank of Liberia is trained and operational. It is capable of ensuring an optimal enabling environment for the launch of the microfinance industry and its eventual integration into the financial system.</p>	<p>- A Microfinance Working Group in CBL established as a professional focal point for the development of the microfinance industry. - Industry standards developed with MFIs including efficient and transparent information exchange</p>	<p>1. “efficient and transparent information exchange” not defined nor quantified 2. “Industry standards” – does this refer to practices or regulations?</p>	<p>Working group minutes – Only one meeting minutes. National MF Strategy draft; Banking Regulations. New (Nov 08) amendment to banking regulations which includes some clauses on MF</p>	<p>Enthusiasm for MF by government officials. Participation in project’s National Task Force and need to respond to other Task Force members. Locating Project Unit in the CBL. IFC consultants drafted regulations for commercial MF</p>	<p>insecurity. (Liberia now emerging from this) UNCDF office small and under UNDP so donors did not realize UNCDF had MF expertise (branding needed);</p>	<p>- Develop a CBL microfinance Working Group TOR and staffing - Establish Working Group - Provide/arrange training to staff (‘Boulder’ CGAP Microfinance Course) - Organize exposure visits to other Central Banks. - Support development of industry standards through CBL</p>	<p>All accomplished</p>	<p>Slower than expected. Some disadvantages to Project being located in CBL; advantages as well.</p>

<p>4. Sound microfinance principles have been disseminated and are widely accepted and adopted.</p>	<p>A national policy and strategy for the development of the microfinance sector as an integral part of the financial sector (year 2) Immediate policy constraints (interest rate ceilings, excessive reserve requirements) are addressed prior to a Phase II.</p>	<p>Not measurable – “clear”, “how to best apply”,</p> <p>Not measurable – “conductive”?</p> <p>Not measurable – use proxies!</p>	<p>Additional MF guidelines issued (Nov 2008); not best practice (“medium” practice – see checklist annex)</p>	<p>Grant agreement documents, MFI financial statements, Interviews with MFIs and government officials</p>	<p>Expertise of Project unit staff; Location of Unit in CBL Enthusiasm of stakeholders for MF Ongoing financial support from UNDP Government has embraced MF due to its commitment to revamping the Liberian economy and reducing poverty.</p>	<p>working group and, efficient and transparent information exchange through Investment Committee -To assist CBL to review regulatory framework. Draft guidelines discussed with a Microfinance Working Group led by CBL. Conduct a seminar on draft with relevant stakeholders</p>	<p>Not done</p>	
			<p>Donor coordination lacking; No change in grant vs loans issue; Registration of NGOs is fast and inexpensive but no clarity in regulations for NBFIs nor deposit-taking MFIs yet.</p>			<p>- Guidelines for Grants and Loans to be reviewed by the relevant Cluster Groups – not defined - To assist MPEA to review registration and monitoring framework for NGO-MFIs. (was this done?) - Stakeholders to participate in Distance Learning, Boulder</p>	<p>Not done</p>	

	practitioners have access to and utilize best practices in microfinance.		Understanding of MF best practice loan methodology is improved; mixed understanding of MF's place in the financial sector			Microfinance Course, and exposure programs. - Dissemination of UNCDF Microfinance Unit Distance Learning (DL) guide to Government and MFIs. Negotiate MOU for locally tutored DL course.		
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Comments on the quality of the logframe:
 Complicated, not clear strategy, lack of measurable indicators, lack of targets.

ANNEX H
LIBERIA FINAL EVALUATION
CHRONOGRAM

Activities	Date Performed (UNCDF only)	Planned Dates (Proj Support Doc)
Liberia initial diagnostic	Mar-04	
Liberia programme approved	Oct-05	
Resident Technical Advisor hired	Jan-07	early 2006
UNDP funds approved	Oct-05	
Cordaid funds approved	Oct-05	
Adoption of Guidelines for grants/loans	did not occur	3/05 - 6/05
First application Liberty (and business plan)	Feb-05	
First investment committee meeting - Leap and ARC/Liberty approved (in NY)	Jul-05	
Grant agreement signed with Leap	Nov-05	
First Funds disbursed for LEAP	Dec-05	
Grant agreement signed with ARC/Liberty	Aug-05	
Funds disbursed for ARC/Liberty	Sep-05	
Creation of a Microfinance Unit in CBL	2006	
National Action Plan drafted	Jun-07	Jul-05
National Action Plan approved	not yet	Jan-06
MF regulatory framework established (NBFIs and deposit-taking MFIs)	2008, partial	2005
CU regulations and law changed	not yet	2005 - 2006
Second Investment Committee, Leap and Liberty approved	Nov-06	
Grant agreement signed with Leap	Apr-07	
Leap funds disbursed for 2 nd year	May-07	
Grant agreement signed with ARC/Liberty	Jun-06	
Funds disbursed for Liberty	May-07	
Third Investment Committee, Leap and Liberty approved for funding	May-07	
Funds disbursed for Liberty	Oct-07	
Leap funds disbursed	Dec-07	
Microfinance Strategic Technical Partners and Donors Meeting on Liberia Meeting	Feb 09 (tentative)	Nov-08

Formulation mission	late 2008	mid 2007
Final evaluation	late 2008	early 2007

No data available on disbursement of Cordaid funds

Annex I
Country Financial Sector Checklist

Country: Liberia
Date: December, 2008

Financial Sector Policy:	2004 Diagnostic	Baseline 2004	Current (2008)	Other Comments
MF Association exists	Not discussed	No network. There was only one NGO MFI at the time of the diagnostic, with other NGOs doing ad hoc non-best practice microfinance activities under their umbrella of activities.	Yes, but nonfunctional. There are reportedly four members and one coordinator. No meetings for over one year (two NGO MFI members have had changes in ED).	Number of NGO MFIs currently too small to support a network without donor subsidies. Commercial MF banks may want to join Bankers Association, but may also participate in the MF Network if there are advantages. Banker's Association currently limited to deposit-taking banks (no NBFIs).
Has National MF Strategy or MF strategy is included in some other national strategy	No	No	Draft was completed in mid-2007 and is waiting to be approved by Ministries and the Governor of the CBL.	Not clear whether the strategy will be backed up with government resources; MF also plays a small part in government's PRSP under "Economic revitalization" pillar
Banking laws exist	Not identified	Yes – updated in 1999	Yes, 1999	From 1999 Banking Act:
Has regulations or guidelines in place for non-deposit-taking finance companies doing MF	Not specifically discussed; diagnostic identifies regulatory constraints for commercial banks to enter the MF market	1999 Banking Act mentions non-deposit-taking financial companies as a category of financial institution, but not specific to MF; prudential regulations for Non-bank financial institutions are clear	For all banks, an amendment to regulations have just been issued, which clarifies some prudential issues for commercial MF and are close to best practice. (Nov 08). It is not clear to what extent the microfinance community's input has been taken into account. Gazetted (Nov 2008)	“Non-bank financial institutions may (editor's bold) be subject also to prudential requirements and regulations where, to the extent not provided herein, appropriate and applicable company laws respecting financial disclosure, consumer protection, market forces imposition and the use of civil and criminal penalties may govern.” There is currently one entity registered as a non-bank financial institution, CHF's SME fund called LEDFC. BRAC will reportedly register as a NBFi as well in Jan. 09.
Has regulations or guidelines for deposit-taking financial institutions doing MF in place	No	Not specifically discussed; diagnostic identifies regulatory constraints for commercial banks to enter the MF market	The only specific regulations for MF are those mentioned above.	
Has regulations in place for cooperative/credit unions	Cooperative Act that was enacted in 1936, were updated in 1972, still inadequate	Cooperative Act that was enacted in 1936, were updated in 1972, still inadequate	Cooperative Act that was enacted in 1936, were updated in 1972, still inadequate	ACDI/VOCA is working on this with the Ministry of Agriculture according to their website; could not confirm.

Cooperatives should be regulated by the CBL but supervised under a separate body than commercial MFIs.	CDA	CDA	Same; this body needs strengthening. (not interviewed during evaluation)	
Should minimally prudentially regulate credit-only commercial MF providers (NBFIs).	Not specifically discussed; implies that there is no category for commercial MFIs	NBFIs fall under commercial banking regulation but some aspects are unclear	Regulated under 1999 banking law <i>“Non-bank financial institutions may (editor’s bold) be subject also to prudential requirements and regulations where, to the extent not provided herein, appropriate and applicable company laws respecting financial disclosure, consumer protection, market forces imposition and the use of civil and criminal penalties may govern.”</i>	Lack of clarity makes MF investors nervous, and one Nigerian commercial MF provider is waiting to enter the market until this is clarified.
Shouldn’t regulate small commercial NBFIs doing MF.	Not specifically discussed; implies that there is no category for commercial MFIs	NBFIs fall under commercial banking regulation but some aspects are unclear	NBFIs fall under commercial banking regulation but some aspects are unclear – no minimum size guidance	
Shouldn’t have interest rate caps.	Interest rate caps exist for commercial banks (since 2002)	Interest rate caps exist for commercial banks (since 2002)	Interest rate caps have reportedly expired for commercial banks	
Prudential standards for commercial banks should be adjusted for commercial microfinance providers: reserves .	Details given on two aspects of commercial bank prudential regulations which would negatively affect regulated deposit-taking MFIs: interest rate caps and reserve requirements; also mentions lack of guidance on cash collateral (forced savings) and uncollateralized lending	no specific regulations for deposit-taking MF banks; NBFIs fall under commercial banking regulation but are unclear	No change. Reserve requirements too high.	
Should be no limits on loan terms or loan amounts for commercial MFIs.	Not specifically discussed; implies that there is no category for commercial MFIs	No regulations for MF	New CB prudential guidelines (Nov 2008) have defined MF: Loans under \$7,000 and unsecured by collateral . No guidance on loan terms or payment frequency.	MFIs have terms ranging from 16 weeks to 1 year (Ecobank), and amounts range from \$100 to \$5,000.
Prudential standards for commercial banks should be adjusted for commercial	See above	No regulations for MF	New CB prudential guidelines (Nov 2008): Provisions are stricter than for commercial banks.	

microfinance providers: provisioning for bad loans.	See above	No regulations for MF	No regulations for commercial banks are currently \$6 million. This will increase to \$8 million next year and \$10 million in 2010. NBFIs have been asked to pay half that on a case-by-case basis but are concerned that they will be asked to pay the other half at some time.
Foreign investment in commercial microfinance providers should be allowed.	No regulations for MF	Foreign investment in commercial banks allowed	Foreign investment in commercial banks allowed
Uncollateralized lending should be permitted at some level for commercial MFIs.	mentions lack of guidance on cash collateral (forced savings) and uncollateralized lending	No regulations for MF	New CB prudential guidelines (Nov 2008) have defined MF: Loans under \$7,000 and unsecured by collateral.
Regulation of entities should not be burdensome in terms of cost for commercial MFIs.	Not specifically discussed; implies that there is no category for commercial MFIs	No regulations for MF	No difference.
No restrictions/limitations on opening new branches for commercial MFIs.	Same as above	No regulations for MF	Commercial banks need CBL approval. No difference for MF.
Licensing or registering of commercial MFIs should be simple and not costly.	Same as above	No regulations for MF	Fast and inexpensive for registration of NBFIs.
Credit bureaus exist and commercial MFIs can access them.	Not specifically discussed; states that financial sector infrastructure is weak	Central Bank maintains an inadequate database for commercial banks only	No private credit bureaus, government credit bureau covers 0.3% of the population (negative information only)
NGO MFIs are not taxed, others are.	Not specifically discussed	NGO MFIs are not taxed, others did not exist	Unknown
AML/CFT laws exist but do not exclude those without identification	Not specifically discussed	These laws did not exist	Banking law does not stipulate customer identification; this has been recommended by IFC consultants in 2007.
Government subsidies do not encourage inefficiencies or corruption	LBDI provided credit at below-market rates	LBDI provided credit at below market rates	Still some government provision of credit at subsidized interest rates; no sign of corruption
Commercial MFIs are not limited to group lending	Not specifically discussed; implies that there is no category for commercial	No regulations for MF	No restrictions limit commercial MF to group lending

	MFI's			
Central Bank has sufficient capacity to supervise commercial MF	Not specifically discussed	No regulations for MF	Improving due to Project and IFC	
Consumer protection laws exist (e.g. mandatory publication of APR, consumer information protection)	Not discussed	No regulations for MF	Banking Law 1999 stipulates client information confidentiality. New guidelines (Nov 2008) stipulate divulgation of effective interest rate. Interest must be calculated on declining balance and APR must be publicized.	NGO MFIs use a flat rate; do not divulge effective annual interest rate, nor does Ecobank. Consumers will need to be educated on APRs.
Other Policies:				
Enforcing Contracts (from WB's Doing Business Liberia 2009)	Not specifically discussed	unknown	Difficult (1,280 days) and expensive (35% of the value of the asset)	
Registering Asset Titles (from WB's Doing Business Liberia 2009)	Not specifically discussed	unknown	Difficult (50 days) and expensive (15% of the value of the asset)	
Infrastructure	Severely damaged	"severely damaged" (PRSP)	Slowly improving	
Telecommunications	Not specifically discussed	Weak laws, poor telecommunications infrastructure	Laws updated in 2007; permit SMS banking; poor telecommunications infrastructure but improving	
Gender	Laws protecting women's physical well being and their rights to shared property, and policies affecting their access to financial services are weak	Not specifically discussed	Laws protecting women's physical well being and their rights to shared property, and policies affecting their access to financial services are weak – rule of law is a pillar of the PRSP, under which is gender	

Sources: 1999 Banking Law, 2004 Diagnostic, 2007 Diagnostic (Wolday), Amended Prudential Regulations for Asset Classification Provisions for Loan Losses and Suspension on Interest on Non-Performing Loans and Advances (CBL: 2008), Poverty Reduction Strategy Paper (2007).

Additional Information:

Savings rate is negative.

Inflation was 20% in Sept 2008, expected to drop.

There is one MF bank – but registered as a commercial bank: Access Bank. It can therefore mobilize savings, but does not want to.

There is one entity registered as a non-deposit-taking financial institution (NBFI): CHF's LEDFC. It is not a microfinance institution, but rather intends to lend at the SME level. Its start up capital was half that of a commercial bank, in this case, US \$1 million.

Annex J
Liberia Final Evaluation
Rapid Assessment of MIS of MFIs⁷

LEAP

Technical assessment:	
Availability and use of hardware and operating systems – are they outdated?	Available and not outdated. However staff take turns using computers since the MFI does not have enough for everyone.
Software Applications – can they support product functionalities and do they meet information requirements of users?	Loan performer is the software used to manage data effectively and accurately. However, integration of data is extremely difficult since the loan performer is not linked to the accounting system. The information requirements of users are met. Quarterly financial statements are easily available and could be pulled out for analysis.
Networks – do telecommunications infrastructures in the regions where MFIs operates do support the installed networks?	No
Security – are the client level information secure?	Yes – only trained/selected staff have access to the client information.
Are the staff competent?	Yes. MIS staff have received adequate training, with funding from the Project. Ongoing training is however needed to keep them abreast with changes in the fast-paced technology world.
What are the external technical support requirements?	The Loan Performer service provider (located in Uganda) provides responses by email. This is not very convenient, especially when immediate on technical assistance is needed.
Back up	Two back-up systems are kept in the office – one by the MIS manager and another by the MFI executive director.
Functional assessment:	
Loan / deposits Tracking System and Client Information Tracking System – is it up to date?	Yes.
Budgeting, Accounting and Payroll System – is it adequate and up to date?	Not supported by software.
Management Reporting System – Is it adequate and up to date and flexible for management, board members, regulating authorities, investors and donor reporting requirements?	Yes. Branches send their hard copy data to HQ where it is entered.
Internal Control System – Is it adequate?	Not verified

⁷ The LIFS Project did not purchase software for either MFI. Some computers were purchased with LIFS funds, and Loan Performer license fees were paid for from Project funds.

LIBERTY

Technical assessment:	
Availability and use of hardware and operating systems – are they outdated?	Available and not outdated.
Software Applications – can they support product functionalities and do they meet information requirements of users?	Loan performer is the software used to manage data effectively and accurately. However, integration of data is extremely difficult since the software is not linked to the accounting system. The information requirements of users are met. Quarterly financial statements are easily available and could be pulled out for analysis anytime.
Networks – do telecommunications infrastructures in the regions where MFIs operates do support the installed networks?	No.
Security – are the client level information secure?	Yes – only trained/selected staff have access to the client information.
Are the staff competent?	Yes. MIS staff have received adequate training from the Project. Ongoing training is however needed to keep them abreast with changes in the fast-paced technology world.
What are the external technical support requirements?	The Loan Performer service provider (located in Uganda) provides responses by email. This is not very convenient when immediate technical assistance is needed.
Back up	Two back systems are kept in the office by the MIS manager and the executive director.
Functional assessment:	
Loan / deposits Tracking System and Client Information Tracking System – is it up to date?	Yes.
Budgeting, Accounting and Payroll System – is it adequate and up to date?	Not supported by software.
Management Reporting System – Is it adequate and up to date and flexible for management, board members, regulating authorities, investors and donor reporting requirements?	Yes. Branches send their data on a flash drive to HQ where it is entered.
Internal Control System – Is it adequate?	Not verified

ANNEX K
LIBERIA FINAL EVALUATION
SWOT Analysis of Programme

Strengths:

1. Clearly defined project outcomes, with three strong reputable initial donors.
2. Building an inclusive financial sector is appropriate for the post-conflict Liberian environment.
3. Well qualified and hard working project staff
4. Strong stakeholder/donor support
5. Small, manageable initial project fund
6. Carefully structured monitoring of beneficiary MFI activities
7. Excellent use of taskforce creates a forum for stakeholder discussions
8. Investment Committee approach gives donors a sense of control
9. Rigorous scrutiny of MFI grant applications
10. Strong microfinance awareness created among stakeholders
11. More donors attracted due to project achievements
12. Proposed second phase of project is appropriate for MFI development in the sector
13. Capacity to work with both government and private sector
14. Flexible implementation approach helps CTA to carry out appropriate project activities as and when needed.
15. Initial grants appropriate for MFI development; prepares MFIs to handle future loans.
16. Frequent reporting to regional office helps to keep project on track
17. Standardized reporting processes creates efficiency
18. Ability to work with a diverse range of partners/donors
19. Financial transparency

Weaknesses:

1. Project objectives too ambitious for such an initial microfinance project in Liberia
2. Danger of politicization of microfinance due to project links with government departments
3. Slow government response to microfinance regulatory requirements
4. Limited project staff
5. Limited funds catered for only two MFIs and ran out before project ended
6. Minimal support for meso and macro levels due to limited project period
7. Limited number of female representation at MFI management level
8. Project design is more suitable for donors than investors
9. Regulations for non-deposit taking financial institutions still pending
10. Microfinance strategy document still in draft form - yet to be approved
11. Only three donors funded the project – no new donors were attracted
12. Overstretched staff
13. Project has not benefitted the poorest people who need the most financial assistance

14. Lack of donor coordination led to one donor (Cordaid) not providing the full amount committed to the project.
15. Initial deficit budget with the hope of raising more funds during the life of the project
16. Limited staff to handle potential larger project funding
17. Lack of new product promotion
18. Lack of appropriate Business Development Services (BDS) for MFI clients
19. High employee turnover (at MFI level)
20. Prolonged provision of grants could reinforce the dependency syndrome
21. Lack of banking networks in rural areas for smooth financial transactions
22. More microfinance training needed for donors, government officials and MFI officials

Opportunities:

1. More donors expressing interest in funding the second phase – identify all potential new donors and get them on board
2. The government's commitment to the poverty reduction strategy creates an enabling environment for microfinance activities – use this opportunity to stress the need for a better regulatory environment
3. University of Liberia and Cuttington University willing to offer microfinance programs – use such avenues to train qualified MFI personnel
4. New MFIs and banks entering the market – MFIs will be compelled to use best practices in order to remain competitive
5. VS&Ls have prepared clients to understand the concept of microfinance – link viable VS&Ls to MFIs where appropriate
6. More banks entering the market – possibility of a better rural banking network in the near future

Threats:

1. Stronger MFIs with more resources (such as BRAC) could drive beneficiary MFIs out of business
2. MFIs continue to lose trained staff since they cannot match salaries provided by larger organizations
3. Security in the post conflict Liberian environment
4. Potential conflict of donors' specific interest
5. Current global economic downturn could affect Liberian banks and the entire financial sector in the country.