SUPPORT TO FINANCIAL INCLUSION IN LESOTHO (SUFIL)

End of Project Evaluation Report

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Conducted for UNDP by an Independent Consultant

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Acronyms

AIDS	Acquired Immuno-Deficiency Syndrome
AWP	Annual Work Plan
AWPB	Annual Work Plan and Budget
BOS	Bureau of Statistics
CBL	Central Bank of Lesotho
CENFRI	Centre for Financial Regulation and Inclusion
CP	Consumer Protection
CRS	Catholic Relief Services
CTA	Chief Technical Advisor
DAC	Development Assistance Committee
DFI	Development Finance Institution
FE	Financial Education
FIA	Financial Institutions Act
FIU	Financial Institutions Unit
FSDS	Financial Sector Development Strategy
FSP	Financial Services Provider
GDP	Gross Domestic Product
GoL	Government of Lesotho
HDI	Human Development Index
HIV	Human Immuno Virus
IFAD	International Fund for Agricultural Development
ILO	International Labour Organisation
JIC	Joint Investment Committee
LNIG	Lesotho National Insurance Group
LPB	Lesotho Post Bank
M&E	Monitoring and Evaluation
MDG	Millennium Development Goal
MFA	Micro Finance Association
MFDP	Ministry of Finance and Development Planning
MFF	Micro Finance Forum
MFI	Micro Finance Institution
MFT	Moliko Finance Trust
MM	Mobile Money
MNO	Mobile Network Operator
MODP	Ministry of Development Planning
MOET	Ministry of Education and Training
MoF	Ministry of Finance
MOTICM	Ministry of Trade, Industry, Cooperatives and Marketing

MSME	Medium, Small and Micro Enterprise
NGO	Non-Governmental Organisation
NIFS	National Inclusive Finance Strategy
NSDP	National Strategic Development Plan
NSFLCP	National Strategy for Financial Literacy and Consumer Protection
PSDD	Private Sector Development Department
RTA	Regional Technical Advisor
RUFIP	Rural Financial Intermediation Programme
SACCOs	Savings and Credit Cooperatives
SACU	Southern African Customs Union
SILC	Saving and Internal Lending Community
SMME	Small, Medium and Micro Enterprise
SUFIL	Support to Financial Inclusion in Lesotho
ToR	Terms of Reference
TSP	Technical Service Provider
UNCDF	United Nations Capital Development Fund
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNV	United Nations Volunteer
VCL	Vodacom Lesotho
VSLA	Village Savings and Loan Association
WB	World Bank

Executive Summary

Introduction

Support to Financial Inclusion in Lesotho (SUFIL), is a 3- year Joint Programme of the Government of Lesotho (GoL), the United Nations Development Programme (UNDP) and the United Nations Capital Development Fund (UNCDF). The programme which was jointly implemented with the Ministry of Finance (MOF), and the Central Bank of Lesotho (CBL), commenced in 2011 and ended in 2014. The main objective of the programme was to contribute to poverty reduction and the promotion of economic growth by working with GoL, and related stakeholders to strategically and effectively address the gaps and bottlenecks that have impeded financial inclusion in Lesotho so far.

The programme document is premised on the following elements of financial exclusion in Lesotho:

1. The absence of a policy, appropriate strategy and regulatory framework for inclusive finance activities;
2. The limited interest of banks to downscale their activities and the weak linkages between banks and micro and rural finance service providers;
3. The absence of sustainable micro and rural finance institutions;
4. Weak primary financial cooperatives and a weak apex organisation for cooperatives;
5. The lack of retail financial service providers working in the area of microfinance;
6. The limited capacity of technical service providers at the Meso level; and
7. The absence of an apex organisation to coordinate and advocate for inclusive finance activities.[1]

SUFIL sought to complement existing government and development partner initiatives and support to the financial services sector at the macro, meso and micro levels, through selected strategic interventions.

This report is the outcome of the end of programme evaluation of SUFIL, whose objectives are to:

1. Establish the effectiveness and relevance of SUFIL;
2. Assess the relevance and impact of the project activities and programmes, especially with the beneficiary groups; and
3. Determine learning and resources use, planning and partnership development.

The evaluation was carried out during May and June 2014 and reviewed project literature, interviewed key stakeholders, focus group discussions with members of Village Savings and Lending Associations (VSLAs), and the analysis of quantitative data to determine the effectiveness of project outputs and outcomes.

Findings of the Evaluation

SUFIL achieved mixed results. **At the macro level**, it contributed significantly to the reform of the policy and regulatory environment for financial inclusion, raised awareness about issues around

[1] Other determinants of financial exclusion were identified as: the lack of marketing and other Business Development Services (BDS); the lack of an effective legal system to enforce contracts; the lack of clear property rights; the lack of loan capital; a high portfolio at risk due to poor loan monitoring strategies especially in the context of high HIV and AIDs prevalence; a poor savings culture; and the erosion of the culture of non-repayment of loans.

inclusive finance and opportunities for change and innovation in the financial services sector and built capacity for the championing of financial inclusion initiatives for the future.

Specifically, the programme:

- Developed the draft National Inclusive Finance Strategy (NIFS), which was validated by stakeholders but is pending formal acceptance by the Cabinet;
- Contributed to the development of the regulatory framework for micro finance institutions of the Financial Institutions Act (FIA);
- Undertook a study on the determinants of savings in low income households in Lesotho;
- Undertook a study on the Demand and Supply of micro insurance in Lesotho ;
- Facilitated the development of a draft regulatory and supervisory framework for micro insurance;
- Undertook a scoping study on enhanced opportunities for Mobile Money (MM), and cashless payments in Lesotho ;
- Built the capacity of the Financial Institutions Unit (FIU) in the Private Sector Development Department (PSDD) of the (MOF), to drive future initiatives for financial inclusion; and
- Raised awareness around of issues financial inclusion amongst stakeholders, including through the establishment of the Micro Finance Forum (MFF), and its engagement with stakeholders and through training and related activities.

The evaluation has found that GoL's and the CBL's role in the implementation of the programme was insufficient. Only one official from the FIU was ever fully engaged with SUFIL since its inception. Whilst this official has received considerable exposure to financial inclusion issues, she and other officials in the FIU may not have had the requisite authority to build upon results achieved, to initiate further reforms and to maintain and build the programme's momentum amongst stakeholders.

Similarly, despite exposure through study tours and training to financial inclusion issues, the inclusion agenda does not appear to have been embedded in the CBL and there remains an apparent reluctance to fully embrace the regulatory burden of a broadened financial services sector.

At the **meso level**, it built the capacity of 2 out of the planned 5 Technical Service Providers (TSPs), who provided Financial Education (FE) services to programme target groups. The programme successfully implemented a number of other FE activities, although it did not succeed in finalising policies for the implementation of FE services. It facilitated the formulation of a National Strategy for Financial Literacy and Consumer Protection. However, it was unable to establish an operational resource centre for the sector.

At the **micro level**, the programme impacted positively on 490 members of VSLAs, some of whom, on the basis of interaction through focus group sessions, indicated the considerable benefits of the training they received for their micro enterprises.

The programme was successful in building the capacity of some Financial Service Providers (FSPs), in financial analysis and performance monitoring, but was unsuccessful in transforming an existing FSP into a Micro Finance Institution (MFI), and was unable to attract foreign investors into the field.

Critically, the evaluation found that the programme's underachievement in some activities relative to the original programme document was on account of the ambitious programme design and inability to overcome the risk factors envisaged at the start. For instance, the programme assumed the existence of a vibrant and appropriate network of Technical Service Providers (TSPs), and a latent potential within the financial services sector that would enable the conversion of at least 2 FSPs into MFIs, capable of lending to 10,000 clients. This however did not materialise due to extraneous factors beyond the control of the programme. Further, it is also noted that plans for the establishment of a monitoring and evaluation (M&E) platform for financial inclusion came too late in the programme's life cycle, which impacted the tracking of progress towards the achievement of results at the output and outcome levels.

As things stand, the programme has not generated any data on the current status of financial inclusion in Lesotho. Furthermore, no other apex financial services organisation, including the Central Bank of Lesotho (CBL), the Banker's Association of Lesotho (BAL), or the MFF, has any meaningful data on changes to financial inclusion.[2] In addition, the programme does not appear to have accessed or utilised the various data sources it indicated it would in its monitoring and evaluation framework.

Although a second FinScope Survey to the 2011 survey, to assess progress in respect of financial inclusion, was planned as part of programme activities, it has not been carried out due to financial constraints. This notwithstanding, and however comprehensive FinScope surveys can be, their reliance on donor funding do not make them sustainable. More institutionalised systems of data gathering and processing for the purposes of sectoral M&E are required and should have been considered at the outset of the programme.

Recommendations

On the basis of the findings of the evaluation, it is recommended that any follow up intervention should be carefully crafted, taking into consideration the results of both the RUFIP and SUFIL interventions and the evolving financial landscape and the regulatory environment in the country. It is also important to consider other objectives such as those of pipeline programmes such as the Making Access Programme (MAP).

Critically, given the catalytic role of development assistance, any additional support should be premised on the concrete demonstration of commitment to driving the financial inclusion agenda on the part of GoL and other key stakeholders. This commitment should be demonstrated through the provision of necessary financial and material resources to the FIU and CBL, the on-going capacity building of officials in the same, and clarification of the respective roles and responsibilities of these bodies, for purposes of enhanced sector coordination. In addition, the commitment of development partners and the private sector should be assured before any additional interventions are considered.

[2] RUFIP purportedly has data on its target beneficiary groups, namely Savings and Credit Cooperatives (SACCOs), Rural Savings and Credit Groups (RSCGs) and informal financial groups. Some of this could possibly have been used as proxy data for the purposes of this evaluation. However, despite several requests, no data was made available to the evaluator.

THE MAIN REPORT

Introduction

Country Background

Lesotho is a landlocked mountainous country, completely surrounded by South Africa. The country occupies a land area of approximately 30,355 square kilometres. Mountains cover 59% of the country's terrain, of which less than 10% is arable.[3] Lesotho has an estimated population of 1.89 million[4], of which 76.2% resides in rural areas. The population growth rate is 1.0% and is reported to be the lowest in the Southern African Region, with an average life expectancy of 49 years.

Lesotho's economy is characterized by subsistence farming[5], with 75% of the population depending on it, although it contributes only 7.1% to the country's Gross Domestic Product (GDP)[6]. With a Human Development Index (HDI) value of 0.461, it falls in the category of countries with low human development and ranks at 158 out of 186 countries.[7] 43.4% of the population lives on less than US$1.25per day and recent Household Budget Survey estimates indicate that 57.3% of the population lives below the national poverty line, with an unemployment rate of 25.3% in 2011.

According to Lesotho MDG report (2013)[8], the country's progress on various MDGs is mixed; while there is a significant progress in only 2 MDGs, others show slow progress and yet others especially the health and poverty related ones are off track.

The current GDP is US$1.6 billion with an estimated growth rate of 6.5% in 2012[9]. The richest quintile of the population controlled 60% of the income while the poorest quintile shared 2.8% of the total income in 2010. The adult literacy rate is estimated at 89.6%. The main sources of revenue for Lesotho have been remittances from Basotho employed mainly in South Africa and other foreign countries, revenue from the Southern African Customs Union (SACU), and royalties from the export of natural resources such as water and diamonds. These exports were affected by the global credit crisis at the end of 2008. The GoL, the mining sector in South Africa and the Lesotho textile industry are the major sources of employment[10]. Despite the socio-economic progress made in the last decade approximately 57.3% of the population continues to live below the national poverty line,

There is a triple burden of disease in Lesotho, where a combination of high HIV prevalence, poverty and food insecurity collide, increasing vulnerability to HIV infection and hindering resilience of PLHIV and their affected households. The HIV prevalence rate has stabilised around 23%.

The Financial Services Sector

In August 2010 at the inception of the SUFIL programme, the financial services sector in Lesotho was characterised by poor access to financial products and services for the rural poor. The sector

[3] Lesotho Demographic Health Survey, 2009
[4] Bureau of Statistics (2011) Lesotho Demographic Health Survey
[5] Bureau of Statistics (2009) Lesotho Demographic Health Survey
[6] Statistical Year book, 2010 – Bureau of Statistics, Lesotho
[7]Human Development Report 2013, United Nations Development Programme
[8] Millennium Development Goals Status Report 2013, Government of Lesotho and UNDP
[9] GoL: Bureau of Statistics 2010
[10] GoL: Bureau of Statistics - 2008. Statistical Yearbook.

comprised a Central Bank, 3 commercial banks, 1 Postal Bank intended to services rural areas, (which has now converted into a commercial bank), 6 insurance companies, 1 Development Finance Institution (DFI), or quasi-MFI – the Moliko Finance Trust (MFT), 51 licensed money lenders, some 141 SACCOs, and an unknown number of VSLAs, burial societies and Stokvels or informal saving and lending groups. The formal financial services sector catered primarily and almost exclusively for the formal sector and formally employed mainly urban-based individuals.[11]

According to the FSDS of October 2013, which is perhaps the most recent authoritative document on the financial services sector, the only major change to the landscape was the closure of a number of money lenders,[12] the existence now of 2 non-deposit taking MFIs, a reduction to 120 in the number of SACCOs, and the counting of Rural Savings and Credit Groups, RSCGs – 65 and 330 VSLAs, supported by Care International and Catholic Relief Services (CRS), which is undoubtedly an undercount of the total number.[13]

A key survey on financial inclusion in Lesotho, the FinScope Survey commissioned by the FinMark Trust and conducted in 2011, indicated contradictory levels of inclusion and exclusion as follows:

Whilst 81% of Basotho were financially included and 19% were excluded;

- Only 58% were formally included;
- Only 38% were banked; and
- Only 46% had or used non-bank, formal financial products and/or services.

In view of these degrees of exclusion and the realisation that increased financial inclusion is essential for economic development and poverty alleviation, the GoL recognised the need for efforts to increase the number of people, particularly the rural poor, with access to products and services, including to create a healthy savings environment, necessary to provide the basis for investment across all productive sectors.

SUFIL was conceptualised to support the attainment of Millennium Development Goal (MDG) 1 – To halve extreme poverty and hunger, with targets to halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day. It was also conceptualised to support the achievement of United Nations Development Assistance Framework (UNDAF) 2008-2012: Outcome 3 – National Institutions able to develop and adopt sustainable pro poor economic development, environmental management and household food security policies and strategies with special focus on vulnerable groups including women, young men and the disabled. The programme further sought to support one of the financial services objectives of the GoL National Strategic Development Plan (NSDP) 2013 - 2017, which are to facilitate improved access to financial services for Small, Medium and Micro Enterprises (SMMEs), to ensure financial stability and encourage the development of low cost products that could be supplied not only by banks but also by non-bank financial services providers.

Other past or on-going interventions to achieve GoL's objectives include:

[11] See SUFIL Joint Programme Document.
[12] Following a court judgement in 2012, against their use of usurious charges on personal loans.
[13] Data sources are out dated or weak. For example, the Findev MIXMARKET site http://www.mixmarket.org/mfi/findev, does not have any data on Lesotho and does not include Lesotho in any of its comparator tables. Indeed, one of the programme's activities was to ensure the data of 3 FSPs was loaded on MIX Market; something the project was unable to achieve.

1. RUFIP, funded by IFAD;
2. The Youth Employment Programme supported by the United Nations Development Programme (UNDP), the International Labour Organisation (ILO) and the Commonwealth;
3. The World Bank (WB) funded First Initiative intervention; and
4. Programmes run by the CRS and Care International to build the capacity of VSLAs and Savings and Internal Lending Communities (SILCs).

Objectives of SUFIL

SUFIL was not conceived of as a stand-alone programme and thus its inputs and activities and intended outputs and outcomes were planned as part of a Joint Programme with RUFIP.
The Joint Programme's expected output was:

> Government institutions have the capacity to create an enabling environment for a vibrant microfinance industry.

The Joint Programme's expected outputs were:

1. Improved and expanded access to sustainable financial services in urban and rural areas by the low segment of the market, particularly women;
2. Contribute to the achievement of MGDs, particularly the goal of halving extreme poverty by 2015.

SUFIL has objectives at three levels of intervention as follows:

1. At the Macro level – Regulatory and Policy Environment Improved: through improved sector coordination and leadership of the Ministry of Finance and Development Planning;
2. At the Meso level – Supportive Meso Financial Infrastructure Strengthened; through capacity building of selected Technical Service Providers, financial literacy and knowledge dissemination; and
3. A the Micro level – Access to a broader range of financial services improved and accelerated; through innovations and support to sustainable inclusive finance providers and market leaders.

This report presents findings and recommendations following the external evaluation of SUFIL, carried out between May and June 2013.

The Evaluation

Methodology

The evaluation utilised three methodological approaches, namely a literature review, stakeholder consultations and the collation and analysis of quantitative data.

Literature Review

This entailed the review of all project related documentation, in order to objectively analyse documented project management arrangements, activities and inputs, and outputs and outcomes.

Some 60 documents were made available for the purpose of the evaluation, (a list of which is attached as Annex 1 to this document), including the UNDAF and NSDP, the programme document, programme work plans and annual reports and minutes of programme related meetings. A large number of these documents are operational in nature and provided a documented basis for the analysis of project implementation. Others are contextual and are either the outcome of the project's activities, or are pertinent by nature of the policy, legislative, strategic and/or institutional environments for financial inclusiveness they have created or sought to create, since the project's commencement. A final and more limited set of documents account for activities carried out in support of meso and micro level interventions.

Stakeholder Consultation

Interviews were conducted amongst key stakeholders including the main GoL stakeholders in the Private Sector Development Division (PSDD), of the Ministry of Finance (MoF), and the CBL. Interviews were also conducted with the Joint Programme partners, the UNDP and UNCDF and RUFIP, as well as a number of financial services institutions, including insurance companies, money lenders, the single DFI/MFI in Lesotho, the MFT, 1 Mobile Network Operator (MNO) and a TSP. (Attached as Annex 2 is the list of people met interviewed during the evaluation). Finally, focus groups discussions were convened with 11 VSLAs in 3 of Lesotho 10 districts. (Attached as Annex 3 are the names and locations of the VSLAs met during the evaluation).

Quantitative Data Analysis

The intention was to determine if the programme has made any progress in achieving its intended outcomes, being:

1. The number of poor and low income population, particularly women, that have access to sound, affordable and sustained financial services including savings, loans, leasing, micro-insurance, money transfer and remittances;
2. The number of financial service providers supported to graduate to regulated non-bank financial institutions; and
3. The number of Medium, Small and Micro Enterprises (MSMEs), financed by the supported Financial Service Providers.

Constraints and Limitations

The evaluation encountered a number constraints and limitations as follows:

The Availability of Stakeholders

1. A relatively limited time, (13 days) was available for the evaluation;
2. A number of important stakeholders were not available during the evaluation, limiting the total number of interview respondents. In addition, in some cases, very limited time was made available to the evaluator for the purpose of the interviews;
3. Only email communication was possible with the former programme Chief Technical Advisor (CTA), and no response to queries was received from the RUFIP Regional Technical Advisor (RTA), which limited the quality of the interaction;
4. Once again, due to time constraints, of the total number VSLAs assisted through the programme, only 11 were met. Nevertheless, this number was considered sufficient especially as they represented both rural and urban VSLAs.

Data Availability

The evaluation was able to collect limited data on financial inclusion in Lesotho. The data depicts changes in participation rates amongst beneficiaries of RUFIP and is used as a proxy for the informal levels of the sector. Data on rates of inclusion at the formal level was not available and represents a constraint to the use of this methodological approach.

Programme Design

The rationale for the programme is well founded and is based on an appreciation on the part of GoL and development partners, of financial exclusion as a barrier to economic development, poverty alleviation and the social inclusion of women and the most marginalised citizens.

The programme correctly intended to intervene at the three macro, meso and micro levels in order to firstly create an enabling policy and regulatory environment and to build capacity for the management of financial inclusiveness strategies; secondly to build the capacity of institutions for intermediation and; thirdly to impact directly on final beneficiaries.

However, in the programme's design, more considered attention should have been given to the then prevailing situation.

At the macro level, assumptions appear to have been made about institutional capacity in key institutions, specifically the MoF and the CBL. Whilst considerable attention was earmarked for capacity building in these and other institutions, prevailing human resource-related conditions in Lesotho were not factored into the programme's design. With a paucity of skilled individuals at all levels of the public, parastatal and private sectors, as well as high levels of out-migration of skilled individuals, capacity building initiatives needed to have factored in these realities

There has been some flux in employees of the PSDD of the MoF since the commencement of the programme. Similarly, the CBL is unable to fully retain its skilled employees and currently has a number of vacancies, including in the non-bank regulation division, which it is unable to fill.

At the meso level, the programme assumed the existence of a vibrant network of TSPs appropriate for the programme's objectives, of which 5 were to be capacitated to support the emergence of viable micro finance, micro-insurance and related sector in Lesotho. This was not the case at the time of the programme's design as there is a dearth of such institutions in Lesotho. (I'd really appreciate your mentioning of rather a mismatch between capacity/technical needs and available TSPs, because these are available)

At the micro level, the programme assumed potential within the financial services sector that would enable the conversion of at least 2 FSPs into MFIs, capable of lending to 10,000 clients. This was not the case, in view of low exposure to micro finance on part of FSP, as well as a regulatory environment that was not conducive to conversion. Assumptions at all these levels have had consequences for programme outputs and outcomes.

Findings in Respect of the Programme's Intended Outcomes

The following analysis of programme outcomes is based on interviews of programme personnel and stakeholders and is triangulated where possible, by written documentation, essentially annual work plans and annual programme reports, as well as minutes of meetings of the various committees mandated to oversee SUFIL's operations.

The original, but adapted programme results framework templates are used for this purpose, for the reasons that:

1. They serve to illustrate some of the programme design issues discussed earlier; and
2. They illustrate what was and was not achieved against original programme objectives.

Findings: Output 1 - Regulatory and Policy Environment Improved

The evaluation found that SUFIL's planned activities in support of programme output 1 evolved over its lifetime. In the first annual programme work plan (January to December 2011), primary activities were to support the institutionalisation of the MFF through workshops and training. In the second work plan (January to December 2012), activities tended towards more direct involvement in the formulation of policies for the sector. The programme made financial resources available for consultants to develop a national inclusive finance policy and strategy paper and a national strategy for consumer protection and financial literacy, both of which were subsequently developed.

By the third work plan period, (January to December 2013), in addition to activities to continue to capacitate the MoF and the MFF through workshops and meetings, the programme intended to engage in activities to enhance the implementation of policies and strategies finalised in preceding years.

Specifically, the programme undertook studies on the feasibility of cashless payment system in Lesotho or Government-to-Persons Payments (GPP), to understand the demand and supply of savings in Lesotho in collaboration with the FinMark Trust and to develop a national financial education strategy. It also sought to ensure the endorsement of the NIFS through engagement with the Cabinet and Parliament.

By the close of the project at the end of 2013, a plethora of policy and strategy documents and pieces of legislation were in place. Although all of these outcomes cannot be attributed to SUFIL ***alone***, the programme has been highly instrumental in bringing about the policy and regulatory reforms necessary for financial inclusion. These include:

1. The FIA of 2012, which finalisation was delayed by technical problems, but which will amongst other things, result in the repeal of the Money Lenders' Act; delays in the development of FIA regulations have also hindered the evolution of money lenders into MFIs;
2. The draft NIFS (National Inclusive Finance Strategy);
3. The drafting of a new Insurance Bill, which will also regulates funeral insurance and open possibilities for innovative micro-insurance products and services; draft micro insurance regulatory framework
4. A scoping study on Mobile Money (MM), necessary to establish a regulatory framework for this new payment, insurance and potential saving and lending platform;
5. The finalisation of strategies for Financial Education and Consumer Protection; and

6. The finalisation of the FSDS (Financial Sector Development Strategy), driven by the World Bank.

The programme initiated dialogue and advocacy activities towards the development of the draft NIFS, commenced a consultancy to develop the consumer protection and financial capability national framework, and produced and disseminated the findings of the FinScope study to the public in October 2011.

The perception of the vast majority of stakeholders interviewed during the evaluation is that SUFIL was instrumental in creating awareness about:

1. Financial exclusion as a barrier to economic development and poverty alleviation;
2. Opportunities for the growth and diversification of the financial services sector, from money lending to microfinance on the part of FSPs and towards increasing sophisticated micro-insurance products and services;
3. The potential of mobile money MM, as a payment platform, including for GPP (government to people) transfers – social grants of various types, and as a potential savings, lending and insurance platform, despite regulatory challenges still at hand;
4. The positive benefits of networks enabled through the various committee meetings, workshops, training and study tour opportunities it made available.

An important issue which should perhaps inform future interventions is that of competing donor perspectives on the issue of financial inclusion. This was exemplified in the feedback received on the NIFS from the World Bank (WB), and International Monetary Fund (IMF) after the MoF and CBL had validated it. The lack of coordination amongst donors and within the government entities too has impacted adversely on the finalisation of this important strategy.

At the level of the capacity building of the MoF to play a lead role in advocating and championing inclusive finance, the results are less than optimal. Through exposure to best practice through study trips, workshops and training, the programme has successfully built the capacity of officials in the MoF to fulfil this role. However, there remain a number of challenges to the sustainable fulfilment of the function on the part of the MoF.

Firstly, the FIU in the MoF is beset by challenges common to the public service in Lesotho, including skills shortfalls and the circulation of staff. Secondly, the unit was insufficiently staffed and did not appear to have had the secretarial capacity to efficiently manage its leadership function. This is evidenced by the view amongst stakeholders that meetings, workshops and other engagements were less than optimally organised and that communication around programme activities was insufficient. Since its inception, the FIU has only had one person fully dedicated to SUFIL activities. These institutional capacity constraints and the lack of high level ownership of the financial inclusion agenda are likely to inhibit the FIU's capacity to drive future reforms and initiatives.

As well, a number of respondents indicated that the location of officials responsible for the implementation of SUFIL, variously in the MOF, in the CBL, in the UNDP and in the RUFIP offices, made the coordination of programme activities difficult.

The MFF was established as a key output of the programme. The Terms of Reference of the MFF describe the body as a platform where all organizations whose mandate is the promotion of increased access to financial services regularly meet, share views and lessons learnt through implementation and build consensus on issues concerning the industry. This forum is aimed at increasing coordination and dialogue among key stakeholders resulting into the development of the MF sector in Lesotho.

Available minutes of the MFF indicate that it deliberated on substantive issues including, the draft IFS and the implementation of FE and CP activities concurrently with the development of the FE strategy. However, the last MFF meeting was convened in August 2013 and on the evidence of stakeholders, there now seems to be some inertia on the part of committee members.

Programme Output 1 – Regulatory and Policy Environment Improved

Joint Programme Outputs	Indicative Activities for each Output	Programme Design	Outputs	Outcomes
Output 1 Regulatory and Policy Environment Improved **Indicators** 1 Policy and regulatory framework developed with stakeholder participation **Baseline** No regulatory framework No policy framework	**1. Support policy dialogue and advocacy for enabling environment**	An appropriate intervention in view of the absence of a policy and regulatory framework for inclusive finance.	According to key respondents, RUFIP did facilitate these activities, but they were given improved traction once the SUFIL CTA was engaged.	The policy and regulatory environment has been significantly improved, with the drafting of the National Inclusive Finance Strategy (NIFS), the Financial Sector Development Strategy (FSDS), the enactment of the Financial Institutions Act (FIA), with on-going efforts to finalise regulations governing all financial institutions, including MFIs, the pending repeal of the Money Lender's Act, the development of new Insurance Bill.
	2. Support the implementation and institutionalisation of the Micro Finance Forum (MFF)	A well intentioned intervention, although it was based on the assumption of the existence of a vibrant MFI sector, or of the existence of Financial Service Providers (FSPs), ready to transform into MFIs.	The MFF was established through SUFIL as a stakeholder forum to discuss emerging developments, challenges in the sector, as well as for networking and the exchange ideas and lessons. . Whereas the MFF initially met with a monthly frequency, it was later agreed to meet on quarterly basis, and the last MFF meeting was held in mid-2013.	The MFF was successfully established with the participation and membership of key SUFIL stakeholders. However, stakeholders indicated a growing fatigue amongst members, as a result of the redundancy of its mandate, in view of the absence of a vibrant MF sector.
	a) Organize Meetings	An appropriate activity, although many were facilitated by SUFIL.	Meetings of the MFF were held and minutes were recorded.	The available minutes of MFF meetings indicate that the MFF deliberated on substantive programme issues. However, the MFF has not met since mid-2013.
	b) Organise exchange visits	This was an appropriate activity to expose stakeholders to inclusive finance strategies in Malawi. The trip was organised by SUFIL. (MoF and CBL officials also benefited from other study visits through other funding).	A successful study trip with the participation of officials from the MoF, commercial banks, SUFIL, 1 FSP and the 1 MFI in the country was carried out. The inclusion of additional FSP may have enhanced the outcomes of the process.	The views of study visit participants were as follows: "The exchange visit has been vital to the SUFIL team as well as FSPs and the lessons learned include the fact that regulations should not inhibit the financial sector but should let the market play the leading role, the consumer education is very crucial and finally customer relationship is more important as opposed to processes. As part of implementing what has been learned and pursuing the way forward, the team has decided to make a presentation of the findings to the Ministry of Finance and the Central bank as well as the microfinance forum."
	c) Support Secretariat	This was an appropriate if vaguely-worded activity.	There was no explicit programme secretariat and programme personnel were located in different organisations. Technical and other support was provided to the various champions of the programme located variously in the MoF and the CBL and in SUFIL and RUFIP. In addition, much of the support was provided by SUFIL rather than RUFIP.	In the view of a number of respondents, there was a lack of programme management cohesion due the various locations of project champions. This resulted in some operational difficulties.

Joint Programme Outputs	Indicative Activities for each Output	Programme Design	Outputs	Outcomes
	3. Participate in the technical discussions on the drafting of the regulatory framework and national policy	This activity could have been subsumed under activity 1 to support policy dialogue and advocacy.	All programme staff engaged in discussions to frame the policy and regulatory framework.	Through their participation, programme staff as well as other stakeholders contributed to the reform of the policy and regulatory framework through the policies and pieces of legislation indicated against activity 1.
	4. Provide TA to RUFIP to enhance policy dialogue for enabling environment.	This is not a well-conceived design proposition. RUFIP preceded SUFIL and was originally staged to lead the dialogue process. It should not have required TA from UNCDF in order to do so.	Technical assistance was provided to RUFIP by the SUFIL CTA, although a number of respondents suggested the silo nature of the programmes limited the CTA's interaction with RUFIP.	There was insufficient information to ascertain the impact of TA provided to RUFIP by UNCDF.

Findings: Output 2 – Supporting Meso Financial Infrastructure Strengthened

The main finding at the meso level of the programme's intervention is that poor outputs and outcomes are a result of inappropriate programme design. The programmes objective to strengthen a Supportive Meso Financial Infrastructure was premised on the assumption of the existence of meso level infrastructure, or the availability of TSPs to be transformed into supportive institutions.

The reality was and remains, that there are only 2 organisations in Lesotho that qualify as TSPs according to criteria developed by the programme Joint Investment Committee. These institutions are the Moliko Finance Trust (MFT) and the Small, Medium and Micro Enterprise Support Network Lesotho (SMME Support Network Lesotho). A number of other TSPs exist, including Habitat for Humanity, which sought to create low income mortgage facilities, as well as organisations such CRS and Care International which seek to build the capacity of VSLAs and (SACCOs). However, these did not qualify to receive capacity building support through the programme. Thus, whilst successfully carried out, efforts to capacitate TSPs were limited to 2 institutions. A limited pool of trainers were trained in financial literacy and carried out FE activities.

Reference was made by a number of respondents to efforts by the CBL and the FIU towards the establishment of a Micro Finance Association (MFA). Furthermore, the 2013 programme work plan also commits resources to assist in its establishment. The MFA would become the apex organisation for MFIs, once the regulatory space for their registration has been opened. The MFA would act as the intermediary quasi-regulatory body between MFIs and the CBL; the CBL expressed some concerns about the regulatory burden of a new layer of financial credit and deposit taking institutions. In view of the current absence of MFIs, it is inevitable that interim arrangements for the association are at a standstill.

A number of public outreach activities related to financial literacy were successfully carried out, including through SUFIL-Led Money Week activities in 2013 and CBL-led activities in 2014, radio programmes and some school-based initiatives. The 2013 Money Week was launched by Deputy Minister of Finance, the CBL Governor and the UNDP Resident Representative. Activities included 8 radio programmes, 1 TV programme, 50 posters and 11 street banners, the use of 3 newspapers, the printing of 800 T-Shirts, the distribution of 1 million SMS, school debates, 300 tertiary level students in competition, 15 FSPs marketed their products, and 70 participants from FSP engaged in a round table. The 2014 Money Week was equally inclusive. It was not however possible to ascertain the impacts of these activities owing to limitations in targeted data collection, for example through a survey.

In terms of the development of financial literacy and consumer protection policy, strategy and action plans, the programme facilitated the development in 2012, of a draft National Strategy for Financial Literacy and Consumer Protection (NSFLCP). The development of the proposed Consumer Protection Policy and Strategy was put on hold, because in the view of a key respondent, client protection goes beyond financial inclusion and would need significantly wider consultation. As a result, no training on client protection or no campaigns were implemented.

Activities to establish a microfinance resource centre were not successful, mainly due to the unavailability of necessary finances, physical facilities and human resources. Neither has a virtual centre been established, due to on-going delays to the revamping of the MoF website to which it is intended to be linked. No or extremely limited data has been collected for the proposed database and indeed, the unavailability of data is perhaps the main shortcoming of the programme.

Programme Output 2 – Supportive Meso Financial Infrastructure Strengthened

Joint Programme Outputs	Indicative Activities for each Output	Programme Design	Outputs	Outcomes
Output 2 Supportive Meso Financial Infrastructure Strengthened **Indicators** 5 Technical Service Providers trained 5 TOT on Client Protection Trained 5 TOT on Financial Literacy Trained A microfinance resource centre established A website developed 3 Annual Sector Report Published **Baseline** None	**1. Strengthen the capacity of Technical Service Providers.**	Inappropriate programme design in view of the dearth of appropriate TSPs; only 2 existed and currently exist.	2 TSPs, Moliko Finance Trust and the SMME Support Network, Lesotho exist and have been assisted through capacity building. The assistance to MFT was mainly in respect of its internal management operations.	Both TSPs value the capacity building and indicate their desire for additional support.
	a) Assess the capacity of TSPs.	Inappropriate programme design in view of the dearth of TSPs, although appropriate for the 2 existing TSPs.	An assessment of SMME Network was carried out.	The assessments were successful precursors to the provision of capacity building assistance.
	b) Provide TOT.	Inappropriate programme design in view of the dearth of appropriate TSPs, although proper for the 2 existing TSPs.	TOT successfully carried out.	Trainees demonstrated the outcomes of TOT through their impacts at the micro level. (Refer to the micro level template).
	c) Create a pool of capable TSPs.	Inappropriate design in view of the dearth of appropriate TSPs or on the assumption that new TSPs would emerge.	A pool of TSPs has not been established.	The inappropriateness of this design activity means that there is no outcome.
	2. Negotiate and implement a consumer education programme.	Appropriate programme design in view of the need for public-wide financial education.	A Financial Education strategy is being developed and implemented, including through Money Week activities in 2013 and 2014 and being driven by the CBL and through the training activities of the TSPs. The programme facilitated the formulation of a National Strategy for Financial Literacy and Consumer Protection.	
	a) Conduct a baseline study.	Essential to assess needs.	The UNDP facilitated the conduct of a baseline study in 2012, although the study had a number of deficiencies. not	The study provides some basis for the development of a comprehensive Financial Education programme
	b) Develop national financial literacy policy, strategic framework and action plan.	Appropriate design intervention, given that the activity was focused at implementation.	The elements of a strategic framework are in place.	The FinMark Trust will develop a more comprehensive strategy in the near future with the Making Access Possible (MAP) programme.
	c) Develop a client protection policy and strategy.	Inappropriate design intervention. The development of a client protection policy should perhaps have been included under the rubric of policy and regulatory reform under Output 1.	Limited work has been done on a client protection policy, partly because consumer protection extends beyond financial inclusion issues.	No outcomes.
	d) Organise trainings on client protection	Appropriate design intervention.	In the absence of a policy and strategy, there is no scope for training.	No outcomes.

	e) Conduct client protection campaigns.	Appropriate design intervention.	In the absence of a policy and strategy, there is no scope for campaigns.	No outcomes.
	f) Train a pool of trainers on financial literacy	Appropriate design intervention.	Trainers from the Moliko Trust and the SMME Support Network were trained through SUFIL and not MFDP.	VSLA members indicate considerable benefits of financial literacy training.
	g) Organise radio programmes and documentary films.	Appropriate design intervention.	Radio programmes and other activities were utilised as part of Money Week activities in 2013 and 2014, driven by CBL.	No scope to assess impacts.
	h) Disseminate publications.	Appropriate design intervention.	Publications were distributed as part of Money Week.	No scope to assess impacts.
	i) Establish investment/savings clubs in schools.	Appropriate design intervention.	No investment/savings clubs were established, although FE was made available through speech and debating competitions.	No scope to assess impacts.
	j) Evaluate performance and impact.	Appropriate design intervention.	Not undertaken.	No impacts.
	3. Establish microfinance resource centre and sector database	Appropriate design intervention, although may have been overly optimistic about resource availability – space, facilities, human resources.	No resource centre established, although materials have been collected and elements of web page developed.	No scope to assess impacts.
	a) Collect resources and materials on microfinance.	Appropriate design intervention.	Limited resources and materials have been collected, but in the absence of a resource centre, are of limited utility.	No scope to assess impacts.
	b) Equip resource centre.	Appropriate design intervention, assuming availability of resources.	No resource centre established.	No impacts.
	c) Develop data base.	Appropriate design intervention.	No data base developed.	No impacts.
	d) Capture data and maintain data base as well as website.	Appropriate design intervention	No capacity to capture data and purpose to data in absence of data base.	No impacts.

Findings: Output 3 - Access to a Broader Range of Financial Services Improved and Accelerated

The evaluation found that a Joint Investment Committee (JIC) was established through the programme, comprised of representatives of the MoF, SUFIL, RUFIP and the CBL, although concerns were raised about the CBL's potentially conflicting roles as a both a participant and a regulator.

The purpose of the JIC was to stimulate investment in the sector and more functionally, to asses and approve applications for SUFIL funding and support received from FSPs. Minutes of the JIC meeting of 10 May 2012 indicate that 3 applications from 6 FSPs were considered by the JIC, with only 1, for MFT, being tentatively approved. A number of FSPs were due to receive computers, software and training through RUFIP funding, which are yet to be delivered.

One JIC meeting was convened in 2011 and 5 in 2012 focusing on project progress, on the JIC work plan, on the disbursement of grants and on management related issues and SUFIL's sustainability. However, the JIC appears to have become moribund from sometime in 2012 as there is no reference to it in 2012 or 2013 programme work plans.

No financial cooperatives were trained through the programme, an activity which should perhaps not have been earmarked for SUFIL, given RUFIP's intense engagement at this level.

Table 1 below provides data on the performance of RSCGs and SACCOs being supported by RUFIP, between 2009 and 2014. The data shows a significant increase in the number of RSGS and SACCOs supported by RUFIP over the period, with a corresponding increase in the total number of their members, which augurs well for their access to finance and access to FE. The value of savings in both types of groups increased significantly between 2009/01 and 2012/13 and then reduced considerably in the following year. No information was available to explain these changes. Increases in the value of outstanding loans increased at a proportionally faster rate than increases in the number of loans issued to members during the period. Once again, there was no information to explain these changes.

Table 1 – Performance of RSCGs and SACCOS – 2009 - 2014

INDICATORS	RSCGs Performance					SACCOs Performance					
	09/10	**10/11**	**11/12**	**12/13**	**13/14**		**09/10**	**10/11**	**11/12**	**12/13**	**13/14**
No. of Groups	**4**	**7**	**20**	**33**	**39**		**7**	**16**	**23**	**31**	**45**
Membership	64	92	305	556	635		198	434	610	831	1134
Males	10	12	54	129	137		70	116	187	226	294
Female	54	80	251	424	498		128	309	423	615	840
No. of Savers	64	89	265	433	510		98	289	375	525	867
Males	10	12	45	95	113		43	85	125	150	224
Female	54	77	221	340	397		55	205	250	375	643
Value of Savings (cumulative)	58 800	88 990	184 680	403 691	116486		1 166 942	1 950 612	2 499 368	3 058 209	822611
Males	13 920	17 100	27 795	68 178	20653		1 017 260	1 570 052	1 705 478	1 755 355	511 281
Female	44 880	72 210	144 200	335 433	97234		151 725	378 817	793 621	999 686	311 330
No. of loans outstanding	31	50	124	210	191		89	177	288	404	758
Males	5	6	16	36	28		36	52	87	92	176
Female	26	44	108	174	163		53	125	202	312	582
Value of ALL loans outstanding	30 550	53 590	125 343	222 236	423 673		268 870	626 565	1 495 122	2 562 469	4 481 237
Males	10 100	10 000	15 897	38 224	66390		173 580	235 293	486 992	685 075	1 359 694
Female	20 450	43 590	109 446	184 012	357283		95 290	391 226	1 008 130	2 155 855	3 121 610

The 2013 SUFIL Annual Report indicates that some 600 of the targeted 1000 members of VSLAs were trained in financial literacy by the SMME Network and MFT in 6 of Lesotho's 10 districts. (This is at some variance to the FE Report of September 2013, which indicates a total of 490 people having been trained). It is worth mentioning the highly gendered nature of the beneficiaries of training, of which women constituted 84%.

The SMME SNL was of the view that the training provided to them on issues of financial literacy was, barring a few pedagogical issues, of a high quality and indicated interest in additional training. The Network intends to provide financial literacy training to street vendors and micro enterprises in future.

The MFT was similarly appreciative of the training it had received and indicated that their improved training of borrowing groups it had lent funds to had improved. MFT was supposed to furnish data on its loan book, in order to determine how close or far the programme was to achieving its target of providing loans to 10,000 clients, but had not done so at the time of writing.

Some 10 VSLAs were met during the conduct of the evaluation. Without exception, all of their members expressed appreciation for the training, whether received from the SMME SNL or the MFT. Members indicated that the training had made a meaningful impact on the way they managed their businesses and expressed their desire for additional training. Members of VSLAs that were trained by MFT were able to access finance from the trust at, in their view, originally affordable interest rates. These rates have been since been raised and combined with management fees levied by the trust, are now considered unaffordable. A number of groups indicated they would not take out further loans. Members of VSLAs trained by SMME SNL expressed their desire for access to micro finance.

The evaluation found that MFT is in the process of registering as an MFI and that a number of other FSPs also intend to transform from money lenders to MFIs. There was insufficient scope in the evaluation to determine what percentage of such institutions intends to do so. The non-finalisation of FIA non-bank regulations is a constraint, and bureaucratic delays on the part of the CBL were also cited as constraints to this process. A number of other FSPs indicated inadequate knowledge and information about requirements for registration as MFIs as a constraint; inadequate communication around the convening of awareness and training workshops by the FIU was cited as the cause.

The above notwithstanding, programme objectives to ensure the transformation of 1 NGO or 1 FSP into a deposit taking MFI have not as yet materialised.

Despite efforts to secure a foreign market leader to commence operations in Lesotho, programme objectives have not been achieved. The commonly cited reason for this is the relatively small size of the Lesotho market for MFI products and services.

SUFIL successfully delivered training on financial analysis and performance to some 15 FSPs. Other training provided to FSP includes loan officer training and SMME lending and thus exceeded the target of 3 FSPs.

The objective to have 3 leading FSP post their data on Mix Market, a platform for performance disclosure, has not been achieved since barring the MFT, existing FSPs are primarily private money lenders.

Programme Output 3 – Access to a Broader Range of Financial Services Improved and Accelerated

Joint Programme Outputs	Indicative Activities for each Output	Programme Design	Outputs	Outcomes
Output 3 Access to a Broader Range of Financial Services Improved and Accelerated **Indicators** One Joint Investment Committee set up 15 Financial Cooperatives at least assisted for capacity building 30 Rural Savings and Credit Groups assisted for capacity building 1 NGO at least or another FSP is transformed in to deposit taking MFI to provide financial services to 10,000 clients 1 foreign market leader has established operations to reach out to 30,000 clients in rural and urban areas 3 FSPs trained on financial analysis and performance monitoring 3 leading FSPs at least have their data posted on MIX market **Baseline: Nil**	**1. Set up a Joint Investment Committee**	Appropriate programme design.	Joint Investment Committee established.	Joint Investment Committee assessed FSP needs.
	a) Review situation, challenges and opportunities for delivering inclusive finance.	Appropriate programme design.	Review undertaken.	Improved understanding of inclusive finance opportunities and challenges in Lesotho.
	b) Identify current and potential FSPs.	Appropriate programme design.	Current and potential FSPs identified.	FPS available for capacity building and transformation.
	c) Carry out Needs Assessment.	Appropriate programme design.	Needs assessment carried out.	FSPs' needs identified.
	d) Provide TA and trainings to FSPs.	Appropriate programme design.	Training conducted.	FSPs better capacitated, with a number of money lenders intending to register as MFIs.
	e) Identify prospective Investors in the FSPs.	Appropriate programme design.	Prospective investors identified.	No outcomes as Lesotho market considered too small for investment.
	f) Organise training on performance monitoring and financial analysis.	Appropriate programme design.	Training provided.	Improved loan book management claimed by FSPs.

Findings: Output 4 – The Programme is Efficiently Managed and Implemented

The evaluation found the personnel elements of programme management and implementation was more than sufficient, with generally positive perceptions of the CTA, the United Nations Volunteer (UNV), the National MFI expert and the various consultants deployed during the programme. There was the view however, that despite the CTA's considerable knowledge of issues around MFI, training and capacity building should be localised to the extent possible.

The programme was also challenged by some unforeseen changes and transitions in personnel. This was perceived by some to have hampered the programme's momentum and delivery. Greater ownership and accountability in the PSDD and CBL would have perhaps to a more effective and coordinated implementation of activities at all levels of the programme.

As well, a number of respondents indicated that the location of officials responsible for the implementation of SUFIL, variously in the MOF, in the CBL, in the UNDP and in the RUFIP offices, made the coordination of programme activities difficult.

The evaluation has found that GoL's and the CBL's role in the implementation of the programme was insufficient. Only one official from the FIU was ever fully engaged with SUFIL since its inception. Whilst this official has received considerable exposure to financial inclusion issues, she and other officials in the FIU may not have had the requisite authority to build upon results achieved, to initiate further reforms and to maintain and build the programme's momentum amongst stakeholders. In addition, the reliance by the FIU on sometimes inadequate government resources for the transport, communication, logistics and other requirements of the programme, with limited resources being provided by the programme for backstopping purposes, hindered the efficient management of activities.

Similarly, despite exposure through study tours and training to financial inclusion issues, the inclusion agenda does not appear to have been embedded in the CBL and there remains an apparent reluctance to fully embrace the regulatory burden of a broadened financial services sector.

Another finding of the evaluation was inconsistencies in activities and outputs between the original programme document and Annual Work Plans (AWPs) and Annual Reports (ARs). By way of examples:

a) Whereas activities for FE and Consumer Protection (CP) are provided for under Output 2 in the programme document, they are accounted for under Output 1 in the 2012 AWP;
b) Provisions for the establishment of a Resource Centre with materials is provided for under Output 2 of the programme document, but accounted for under Output 1 in the 2012 AWP; and
c) Provisions for study visits are provided for under Output 1 to build the leadership and management capacity, but are planned for under Output 3 in the 2012 AWP. accounted for capacity of

These and other inconsistencies point to a possible insufficiency of programme management and monitoring.

Programme documentation refers to various committees, namely the Joint Investment Committee, the Steering Committee and the Senior Management Committee. With the exception of the JIC, with its discrete and clear mandate, it was not obvious to the evaluation, what differentiated these committees. A senior respondent indicated that while these committees might have had different roles and responsibilities at the commencement of the programme, as they were generally attended by the same cohort of individuals, in effect, they evolved into a single multi-purpose oversight body.

Through the review of their minutes, as well as through interaction with key stakeholders, some of the oversight responsibilities of these committees over the programme were not evident. Critically, whilst the approval of the programme's AWPs and Annual Reports (ARs), were implicit of decisions around changes to programme activities, more explicit and accountable processes should perhaps have been utilised.

This report is the outcome of the programme evaluation, which was planned and budgeted for in the programme document. Constraints to the evaluation are tabled under the section on methodology and limitations.

Programme monitoring has in the view of the evaluation, been significantly problematic. First, the monitoring framework is as assumptive as some of the other elements of the programme, particularly in respect of means of verification.

It lists macro and district level statistics, poverty assessment surveys, programme monitoring reports and baseline studies and surveys as the means of verifying the overall objective of poverty alleviation through sustainable increases, contributing to the achievement of the MGDs. Further, data from financial providers, monitoring reports, joint programme reports, baseline surveys and evaluation and impact studies as the means of verifying of quantitative and qualitative improvements to financial inclusion was also to have been utilised.

Many of these means of verification are not easily or regularly available in Lesotho and indeed the UN system and other agencies have sought to assist GoL to improve the frequency, regularity, relevance and quality of data for development purpose.[14]

Secondly, beyond thematic assessments, SUFIL itself did not seek to develop means of verification; RUFIP has developed some means of verification the high level findings of which have been included in this report.

Thirdly, the programme did not factor in activities and resources for on-going programme monitoring until 2013, under Output 4 of the programme; the other M&E reference is to monitor FSPs granted funds in the 2012 work plan. No programme monitoring activities appear to have been carried out, although some kind of assessment of the training provided by the SMME Network and MFT was undertaken in 2013. Thus, no or very little data has been generated for the programme monitoring framework.

The findings of the UNCDF SUFIL Technical Review Report of 2014, found that although the programme was budgeted at US$ 4.085 million, it was approved with pledges of US$ 1.555 million, which represents a resource gap of 62%. The programme was able to mobilise limited resources, specifically for the undertaking of the insurance study, which was financial supported by the Centre for Financial Regulation and Inclusion (CENFRI), in 2012.

Nevertheless, the Technical Review found that the programme achieved an overall delivery rate of 81% as of September 2013, partly on account of the various activities it did not carry out as intended.

[14] See for example, Joint United Nations Country Team and Development Partners Support towards Monitoring of Development Interventions for Evidence-Based Polices (2008-2012).

Programme Output 4 – The Programme is Efficiently Managed and Implemented

Joint Programme Outputs	Indicative Activities for each Output	Programme Design	Outputs	Outcomes
Output 4 The Programme is Efficiently Managed and Implemented	Recruit a Chief Technical Advisor.	Appropriate programme design.	CTA recruited and deployed.	Effective management of the programme and skills transfer.
	Recruit a UNV.	Appropriate programme design, although consideration might have been given to local hire for capacity building and its institutionalisation.	UNV recruited and subsequently replaced by local expert.	UNV effective team member, as was the local expert until his untimely demise.
	Contribute to the CTA's salary UNDP overheads.	Appropriate programme design.	Contributions made.	
	Programme Evaluation.	Appropriate programme design.	The current process.	The evaluation report with findings and recommendations.
	Programme Monitoring.	Appropriate programme design, although insufficient consideration given to M&E tools and methodologies for incorporation into programme.	Some monitoring of the programme. However, programme impacts or outcomes not monitored.	Activities and outputs arrangements monitored. Outcomes could not be evaluated due to insufficiency of data and programme's inability to generate data.
	Management Fees.	Appropriate programme design.	Fees disbursed.	Programme implementation.
	Management Fees.	Appropriate programme design.	Fees disbursed.	Programme implementation.

Assessment against Organisation for Economic Cooperation and Development (OECD)/Development Assistance Committee (DAC) Evaluation Criteria

This section of the report draws on the findings of the evaluation to assess the programme against OECD/DAC criteria of relevance, effectiveness, efficiency, impact and sustainability.

Relevance

The evaluation found that the programme was extremely relevant to Lesotho's macro-economic development and poverty alleviation objectives as espoused in the NSDP. The first strategic goal of the NSDP is to pursue high, shared and employment creating growth, for which the reform of the financial services sector is key. The NSDP states "The priority is to facilitate access to credit by removing key constraints and increasing access to financial services and alternatives for mobilising financial resources."

Effectiveness

The evaluation found that the programme was only partly effective. It was highly effective in contributing to the policy and regulatory reform of the financial services sector in Lesotho. It was also highly effective in foregrounding issues of financial inclusion and literacy and opportunities for innovation amongst key stakeholders.

SUFIL contributed to the building of the capacity of important institutions and in building partnerships around issues of financial inclusion, particularly between the FIU and the CBL, as well as amongst stakeholders, although their formal representational body, the MFF is currently moribund. It was unsuccessful in mobilising the participation of other development partners in supporting activities towards financial inclusion; (the WB and the IMF were engaged in a parallel but complementary track in support of the financial sector).

However, the programme was less effective in meeting its objectives to build an intermediary layer of TSPs and to transform existing FSPs into the kinds of MFIs necessary for increased economic growth and development.

Efficiency

According to the draft UNCDF Technical Review report of March 2014, as of September 2013, with 3 months then remaining to the end of the programme, SUFIL had achieved a delivery rate of 81%. The programme was able to achieve this good performance rate because of the number of activities that were not carried out through the programme, mainly activities to capacitate 5 rather than 2 TSPs and to create a Micro Finance Resource Centre at the meso level,, and activities to transform 2 FSPs into deposit-taking MFIs and to build the capacity of at least 15 SACCOs at the micro level. In addition, the programme was able to undertake a number of originally unplanned activities, drawing from a budget that was considerably lower than originally planned.

Impact

The programmes key impacts have been at the policy and regulatory level. As such, it is too early to determine its impacts as many of these reforms are very recent in their implementation. Nevertheless, it is envisaged that these reforms will begin to impact on financial inclusion in the medium term.

The programme also facilitated the implementation of FE activities. It is too early to discern their impacts on the general public, particularly in view of the absence of robust tools and systems to measure impact. However, FE activities have been highly beneficial to members of VSLAs and other groups, who without exception indicated their appreciation for the training and awareness facilitated by the programme.

However, and as discussed in greater detail elsewhere, in the absence of data, it is not possible to make any evidence-based findings against the majority of the programme's outcome indicators.

Sustainability

The sustainability of the programme is mixed. At the macro level, whilst capacity has been built in key institutions, on the evidence of Lesotho's human resource peculiarities, the capacity may not necessarily be retained. In addition, high level leadership and stakeholder commitment towards the financial inclusion agenda is not fully evident. Systems need to be put in place to institutionalise on-going capacity building, research and development, M&E and to accelerate the momentum built through the programme. Similarly, continuous capacity building is required for institutions at both the meso and micro levels of the programme's interventions.

Conclusions and Recommendations

The evaluation of SUFIL has found that the programme achieved mixed success. It contributed significantly to the reform of the policy and regulatory environment for financial inclusion, raised awareness about issues around inclusive finance and opportunities for change and innovation in the financial services sector and built capacity for the championing of financial inclusion initiatives for the future.

At the meso level, it built the capacity of the only 2 existing TSPs and implemented a number of FE activities, although it did not succeed at finalising a number of policies and establishing a working resource centre for the sector.

At the micro level, it established a JIC, built the capacity of a number of FSPs, positively impacted VSLAs and their members, although it did not meet its targets, failed to transform FSPs into MFIs and did not attract a foreign investor into the field.

On account of the findings of the evaluation, it is recommended that a follow up intervention should be carefully crafted, taking into consideration the impending termination of the RUFIP in 2015, as well as the objectives of pipeline programmes such as the MAP, which would:

1. Ensure the finalisation of outstanding policies, legislation and strategies, including to facilitate the emergence of MFIs and alternative or innovative products and services on Lesotho's financial landscape;

2. Maintain and indeed accelerate the momentum the programme has built, in particular, to fulfil the expectations of stakeholders generated by programme activities;
3. Continue to build the capacity of key institutions, in order to better ensure the sustainability of financial inclusion interventions;
4. Ensure the establishment and functionality of M&E systems in the FIU, in the non-bank regulatory unit of the CBL and amongst other apex or regulatory bodies, including the MFA, the Law Office in the Ministry of Justice and Human Rights (MJHR), (which regulates associations including VLSAs and RSCGs that wish to formalise their governance arrangements), and the Department of Cooperatives in the Ministry of Trade, Industry, Cooperatives and Marketing (MTICM);
5. Facilitate the conducting of a FinScope to ascertain current levels of and constraints to financial inclusion; and
6. Accelerate and enhance the provision of FE services, particularly targeting women, the youth and the poor.

However, any consideration for the development and implementation of the above interventions should be premised on the concrete demonstration of commitment to driving the financial inclusion agenda on the part of GoL and other key stakeholders. This commitment should be demonstrated through the provision of necessary financial and material resources to the FIU and CBL, the on-going capacity building of officials in the same, and clarification of the respective roles and responsibilities of these bodies, for purposes of enhanced sector coordination. In addition, the commitment of development partners and the private sector should be assured before any additional interventions are considered.

Annexes

Annex 1 Document List

Documents Consulted
1. SUFIL Project Document
2. UNDAF 2008 – 2012
3. RUFIP Project Document 2007
4. UNCDF Program Review Report
Main Execution Documents
5. Annual Work Plan 2010
6. Annual Work Plan 2011
7. Annual Work Plan 2012
8. Annual Work Plan 2013
9. Annual Work Plan 2013 revised June
10. 2010 Annual Report
11. 2011 Annual Report
12. 2012 Annual Report
13. 2013 Annual report
14. Malawi trip Report April 2012
15. Project Report September 2011 June 2013
16. Steering Committee meeting 3May 2012 final
17. Minutes SUFIL Management Meeting 11 June 2012;
18. Steering Committee of the 31st January 2013
19. ToR of Investment Committee;
20. Minutes Management Meeting May 2012
21. ToR of the Micro Finance Forum
22. Minutes of the Micro Finance Forum 30 August 2011
23. Minutes of the 24 Micro Finance Forum November 2011
24. Minutes of the Micro Finance Forum 23 May 2012
25. Minutes of the Micro Finance Forum 3 April 2013
26. Minutes of the Micro Finance Forum May 2013
27. Hand Over Report – Chief Technical Advisor 22nd June 2013
28. Draft SUFIL Technical Review Report
Context/Background Documents
29. FinScope Lesotho 2011 Top line findings July 2011
30. FinScope Consumer Survey 2011
31. Status of Financial Institutions - November 2011
32. Financial institutions regulations 2012
33. Study on the Supply and Demand of Informal and Formal Savings 2012
34. Draft National Strategic Development Plan January 2012
35. National Strategies for Financial Literacy and Consumer Protection March 2012
36. Inclusive Finance Sector Assessment May 2012
37. Inclusive Finance Strategy Final 1 July 2012

38. Analysis of Draft Insurance Bill Nov 2012
39. Report_Microinsurance_November2012
40. mobile money for the poor Lesotho Scoping Report Feb 2013
41. Capacity assessment of the Financial Institutions Unit Management of the Ministry of Finances March 2013
42. Money Week Lesotho April 2013
43. Financial Sector Development Strategy July 2013 confidential
Micro:
44. MOU SUFIL MOLIKO partners
45. institutional assessment of Moliko Finance Nov 2012
46. capacity building of Moliko and Select March 2013
Meso:
47. Workshop for FSPs Nov 2011
48. Training Report to Micro insurance service providers Nov 2012
49. Training Report MF best practice Nov 2012
50. training report Loan officers March 2013
51. Evaluation report of SUFIL financial education activities for community groups and SMME
52. Financial Report on SMME Support Network FE December 2012
53. Financial Report on SMME Support Network FE June 2013
54. Financial Report on SMME Support Network FE Sept 2013

Annex 2

Stakeholders Interviewed

Name	Title	Organisation
M. Mohasoa	Senior Financial Institutions Officer	Ministry of Finance
L. Monku	Assistant Financial Institutions Officer	Ministry of Finance
N. Bereng	Head of Non-Bank Supervision	Central Bank of Lesotho
A. Bhatia	Economics Advisor	UNDP
M. Tsuene	Programme Officer	UNDP
M. Sematlane	Programme Manager	FinMark Trust
M. Muchupisi	Director	Moliko Finance Trust
M. Mohapi	Operations Manager	Moliko Finance Trust
P. Mpota	Chief Executive Officer	Motjoli Financial Services
M. Makamane	Chief Executive Officer	Blessings Financial Services
S. Matete	Chief Executive Officer	MM Financial Services
M. Vumbukani	Chairperson	Banker's Association of Lesotho
T. Kepa	General Manager	Lesotho National Insurance Group
R. Matobako	Chairperson	National Funeral Directors of Lesotho
N. Qheku	Manger M-Pesa	Vodacom Lesotho
M. Masitha	Chief Executive Officer	Small, Medium and Micro Enterprise Support Network, Lesotho
S. Molapo	Programme Coordinator	RUFIP

Annex 3

Village Savings and Lending Associations Met

Name	District	Number of Focus Group Discussion Participants
Sebetsang ka Lerato	Mohale's Hoek	6
Basali Mpheng Matla	Mohale's Hoek	5
Lerato Pele	Mohale's Hoek	6
Kopanang Moruthoane	Maseru	2
Haeso Matjoea a li Tsoene	Maseru	3
Ntja Peli	Leribe	6
Bohlokoa ba Kolobe	Leribe	2
Kgetang Tema	Leribe	5