MCC Final Report

Evaluation of the Access to Rural Finance Activity in Burkina Faso

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List of Acronyms and Abbreviations

AD10	Consortium of AECOM and DesJardins
ADP	Agriculture Development Project
ARF	Access to Rural Finance Activity
APD	Agence du Partenariat pour le Développement
BACB	Agricultural and Commercial Bank of Burkina Faso
BCEAO	Banque Centrale des États d'Afrique (Central Bank of West African States)
BDS	Business Development Services
CFEAC	Finance Center for Agricultural and Commercial Enterprises
ERR	Economic Rate of Return
ESP	Environmental and Social Performance
GDP	Gross Domestic Product
IRB	Institutional Review Board
ITT	Indicators Tracking Table
MASA	Ministry of Agriculture and Food Security
MCA-BF	Millennium Challenge Account Burkina Faso
MCC	Millennium Challenge Corporation
M&E	Monitoring and Evaluation
PFI	Participating Financial Institution
PMC	Project Management Consultant
RAF Act	Réorganisation Agraire et Foncière (Agriculture and Land Tenure Reform)
RCPB	Network of Credit Unions of Burkina Faso
RFF	Rural Finance Facility
SME	Small and Medium Enterprise

EXECUTIVE SUMMARY

One of the key pillars of the MCC Compact for Burkina Faso was a comprehensive program to support agriculture, which is the most important economic sector in the country. The five-year Compact agreement, signed with the Government of Burkina Faso in July 2008, entered into force in July 2009 and ended in July 2014. Its goal was to stimulate economic growth and reduce rural poverty through investments in four projects: Rural Land Governance Project, Agriculture Development Project (ADP), Roads Project, and the Burkinabe Response to Improve Girls' Chances to Succeed (BRIGHT II) Project. The Agriculture Development Project was, in turn, divided into three main components: the Water Management and Irrigation Activity, the Diversified Agriculture Activity, and the Access to Rural Finance Activity (ARF).

The scope of this assignment is the evaluation of the Access to Rural Finance (ARF) Activity. With an initial budget of approximately $14 million, this activity was designed to increase access to credit for farmers and small and medium enterprises working in agriculture value chains in the four western regions of Burkina Faso (Boucle du Mouhoun, Cascades, Hauts-Bassins, and Sud-Ouest). ARF consisted of three sub-activities: (i) a Rural Finance Facility (RFF) to offer medium-term financing; (ii) training of the Participating Financial Institutions (PFIs); and (iii) support to potential end-borrowers through Business Development Services (BDS) providers.

The evaluation uses a mixed-methods approach to assess ARF Project Design, Project Implementation, Outcomes and Lessons Learned. Such a mixed-method approach integrates both qualitative and quantitative aspects to evaluate the project's performance. The data collection consisted of two phases: the exploratory mission for the evaluation design preparation, and the data collection phase. Semi-structured questionnaires were used to interview project management representatives of MCC, MCA, and AD10, as well as project participants such as PFIs and BDS providers. End beneficiaries of loans and/or business development services were surveyed with structured interviews. These data were then complemented and crosschecked through focus group discussions and case studies. Non-participating financial institutions and non-beneficiaries were also included in the sample.

The overall performance of the ARF activity was unsatisfactory, and it was terminated one year before the end of the Compact. The implementation of ARF activities experienced multiple and cumulative delays due to the AD10 contract negotiation that lasted about two years, and to the finalization of the RFF procedures manual that took about three years. A very cumbersome administrative structure was put in place, which led to several rounds of reviews and uncertainties especially with regard to the environmental requirements. As a result, all ARF sub-activities did not become fully operational until early 2013, two and a half years after the expected start date. The delays heavily contributed to the low disbursement rate, which reached only $US 2.8 million. In addition, the PFIs continued assessing the loans with the same methodology and criteria. The BDS sub-activity also failed to adequately support the financial institutions and reduce the risk profile of the end-beneficiaries by providing high quality and bankable loan applications. The combination of these factors reduced the likelihood of achieving the targets and caused several budget revisions. The end of AD10 contract and the lack of suitable successor eventually caused the termination of the ARF Activity.

Issues with the project design contributed to poor project performance. The design responded to the need for long-term finance with an innovative approach, which combined financial and non-financial activities. However, the definition of the target market was too broad and a more judicious selection of PFIs and BDS providers could have been made. The incentives designed for PFIs, mainly the concessional rate of 3%, proved insufficient to compensate for the administrative burden and delays in the availability of the funds, which were not deposited with the banks. Also, the capacity building provided to PFIs did not succeed in significantly altering their approach. Banks continued to assess ARF loan applications in the same manner as regular loans. Those end beneficiaries who received a loan would have most likely been financed in the absence of the project. Finally**,** potential synergies between Compact components were not adequately exploited. For instance, the farmers trained under the Diversified Agricultural Activity could have been good candidates for the ARF Activity.

Project implementation also suffered from a cumbersome administrative set-up and inadequate monitoring and evaluation. Multiple levels of controls and approvals and consistent difficulties in complying with environmental standards caused several delays in the project implementation and, ultimately, discouraged project participants. In addition, the centralization of decision-making towards MCC brought a sense of mistrust and reduced the ownership without increasing efficiency. The contract with AD10 proved to be very complex to manage. The limited staff dedicated to the ARF could not provide adequate implementation follow-up. Project monitoring was, also, not integrated enough in the ARF activity. The insufficient monitoring and follow-up had negative repercussions on project reputation and customer protection of end beneficiaries who were, in some cases, victims of misleading information and fraudulent behaviours. Clearer internal and external communication could have also reduced the negative impact of the implementation structure.

Project outcomes were far below expectation, albeit most local stakeholders argued that the project should have been given more time. Loan conditions and collateral requirements were the same as those applied to regular loans, so end-beneficiaries did not experience enhanced access to credit from participating financial institutions (PFIs). The delay and low quality of the BDS sub-activity also contributed to the low uptake. During the interviews, PFIs complained about the poor quality of business development services, which failed to fulfil their main goal.. Nevertheless, most local stakeholders would have preferred that the ARF project continue operating. There is a general agreement that local stakeholders learned valuable lessons from the project and its innovative set-up, which is being replicated by subsequent development partners. RCPB and Coris Bank, in fact, are currently increasing their involvement in the agricultural sector through new programs and products.

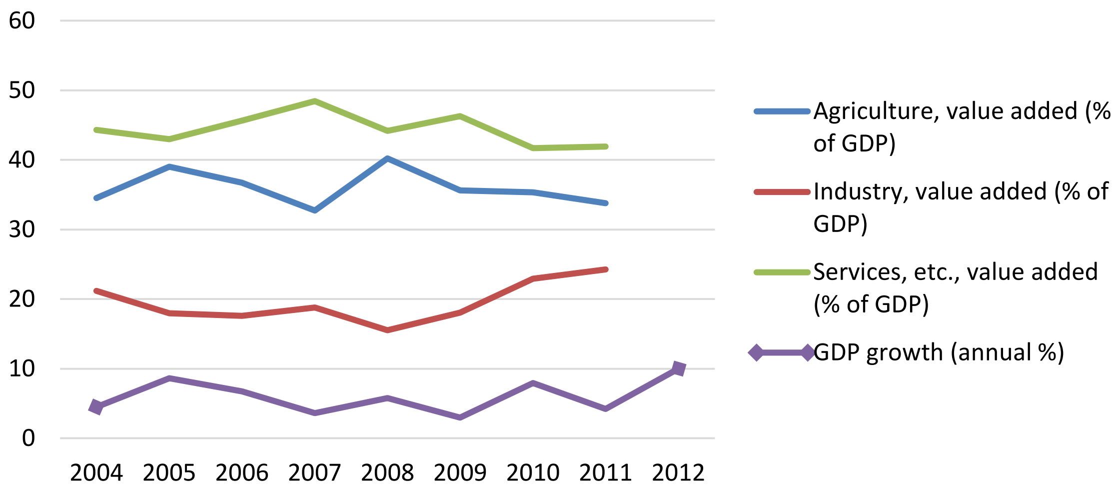
Several lessons learned can be drawn from the ARF implementation. Future rural finance programs should better reflect the insights from academic research, in particular a more financial system-based approach, and where applicable greater focus on value chains. These approaches will allow building more sustainable results. A thorough need assessment should also be a key requirement for project preparation. This would allow for a more adequate selection of project participants and design of incentives. Institution-building initiatives with commercial banks require sustained and far-reaching capacity-building efforts, which need to be properly budgeted for. Consumer protection safeguards should be incorporated in design of future projects, especially when BDS providers are included, to avoid potential abuses. Adequate monitoring and evaluation also require that a subject matter expert fully dedicated to the project is available to support implementation throughout the life of the future project.

The dissemination activities took place in Burkina Faso in August 2015 and at MCC headquarters in September 2015. These activities aim to increase the reach of the results of the evaluation, as well as the motivation and ability to use and apply such information for future purposes.

1. INTRODUCTION

Burkina Faso is a low-income country with a GDP per capita of about $US 504 (constant 2005 $US) as of 2012**.** It has experienced an average growth of 6% during the period 2004-2012. Actual annual growth rates have, however, fluctuated significantly from year to year, partly due to weather conditions. In 2012 for instance, GDP growth reached 10% (twice the average for Sub-Saharan Africa). The services sector was the largest contributor to GDP (44.9%), followed by agriculture (33.8%), and industry (22.2%).

Figure 1: GDP Growth (%) and Value Added by Sector



Source: The World Bank, World Development Indicators, accessed on March 2014

77.3% of Burkina's population lives in rural areas, with agriculture, livestock and fisheries occupying nearly 80% of the workforce. However, the majority of Burkinabe farmers continue to produce primarily for home consumption, such that between 60% and 70% of food produced is consumed by the households themselves[1]. Cereals and cash crops such as cotton, peanuts, shea butter, and sesame are the main agricultural products, but the volume and range of exports remain low. Cereals (millet, sorghum, maize, rice, fonio) are grown on 78% of land and play a vital role for the country's food security as they account for nearly 73% of population's food intake. Cash crops (cotton, sesame, peanut, soybean) are cultivated on approximately 19% of the total area and play a key role in exports.[2]

Cotton is the leading crop and the most important sector of Burkina Faso's economy. In fact, cotton represents 14% of the country's total exports and Burkina Faso is the largest African producer of cotton. With a high level of organization, cotton is an economic sector on its own being overseen by the Ministry of Commerce (rather than the

[1] MASA (2011)
[2] MASA (2011)

Ministry of Agriculture). Cotton occupies about 10-15% of arable land and represents on average 65% of households' cash income.[3]

Overall, the agricultural sector is characterized by low productivity due to small farm size, low soil fertility, limited use of land titles, and poor access to inputs and machinery. With arable land being estimated at 9,000,000 hectares, the country has great potential for agricultural production. However, as of 2008, out of this total area only about 46% was cultivated. Furthermore, 75% of farms are smaller than 5 ha and 30% are smaller than 2 ha. The majority of producers do not have any form of legally recognized land title.[4] Only 0.6% of cultivated land is irrigated and only 44% of farms have any level of mechanization, and only 15% use improved seed. To address the issue of property rights, with the support of MCC, in 2009 the Government adopted the RAF Act (Agriculture and Land Tenure Reform) recognizing individuals' right of ownership.

Market access is another major constraint for the development of agriculture in Burkina Faso. The rate of retailing remains low, with about 6-9 % for cereals and 40% for cash crops.[5] Storage techniques and facilities remain inefficient, with losses being as high as 30% for cereals, thereby reducing farmers' competitiveness. Transformation of agricultural products is still at an initial stage and dominated by artisanal and semi-industrial units[6]. This situation may be explained by a low demand for processed products, low stakeholder access to equipment and processing infrastructure, low incentive for the establishment of processing companies and strong competition with imported products.

The financial system serves agriculture only marginally, and even less if the cotton sector is excluded. The volume of lending fluctuates greatly with climatic as well as overall macro-economic conditions. For instance, short-term loans to agriculture amounted in 2011 to about $US 53.3 million (i.e., 4.2% of total short-term lending). But this volume dropped to just $US 38.2 million (2.3% of total short-term lending) in 2012. The amount of medium- and long- term loans to agriculture was even lower, at only about 0.6% of agricultural loans in 2012 (the amount decreased from $US 8.6 million in 2010 to $US 3.98 million in 2012). In contrast, during the same years, the commercial sector's share in total loans was 34.6% and 46.5%, respectively, while the public works' share was 20% and 15.8%, respectively.[7]

Only 2.1% of farmers are able to obtain loans, of which 35.4% are in cash and 61.3% in inputs.[8] About 1.7% of households receive a loan for equipment (usually from the supplier). The main constraints to accessing formal finance are: (i) the absence of or inadequacy of collateral; (ii) poorly designed financial products (that are not adjusted to agriculture-specific cash flows); (iii) the lack of adequate financial resources for medium and long term lending; and (iv) volatile income due to various natural hazards (weather, diseases, etc.). Innovative financial mechanisms, such as warehouse receipts, leasing, and

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[3] MECV (2011)
[4] MASA (2011)
[5] MASA (2011)
[6] MASA (2011)
[7] BCEAO (2013)
[8] MASA (2008)

mixed financing, are still in their infancy.

Today, Ecobank is a leader in agriculture finance with the largest volume of loans disbursed to the sector (FCFA 47 billion/$US 97 million)**.** In 2009 Ecobank acquired the state-owned Agricultural and Commercial Bank of Burkina Faso (BACB), and became the largest bank in Burkina Faso in terms of assets, resources, employment, and geographical coverage. Ecobank's stated goal is to serve all agriculture subsectors. However, the bank's portfolio is heavily concentrated (80%) in cotton due to the lack of organized value chains in other sub-sectors.[9]

Table 1: Loan Distribution by Sector and by term ($US, million)

Business Sector	Short Term 2010	Short Term 2011	Short Term 2012	Short Term 2012 (%)	Medium - long term 2010	Medium - long term 2011	Medium - long term 2012	Medium - long term 2012 (%)
Agriculture	39.72	53.32	38.18	2.28	8.60	7.19	3.98	0.58
Extractive Industry	6.25	18.79	13.73	0.82	10.25	15.96	9.78	1.41
Transformation Industry	190.38	162.82	164.82	9.86	51.92	56.29	65.78	1.41
Electricity, Water, Gas	18.62	23.06	22.09	1.32	5.57	9.85	21.88	3.16
Construction	222.17	251.24	263.68	15.78	29.65	72.54	47.37	6.85
Wholesale and Retail Commerce, Restaurants, Hotels	318.24	434.99	777.29	46.51	62.83	91.51	127.16	18.39
Transport, Warehouses, Communication	82.75	100.35	103.63	6.20	68.08	76.97	123.46	17.86
Insurance, Real Estate, Enterprise Services	45.50	48.30	75.07	4.49	22.95	29.94	17.74	2.57
Social Services	165.88	163.18	212.86	12.74	136.39	181.22	274.22	39.66
TOTAL	**1089.5**	**1256.1**	**1671.3**	**100.00**	**396.24**	**541.46**	**691.39**	**100.00**

Source: BCEAO (2013)

The agricultural portfolio of microfinance institutions is also focused on the cotton sector. The Network of Credit Unions of Burkina Faso (RCPB) represents 75% of the microfinance sector in the country and devotes about 22% of its portfolio to agriculture (about $US 40 million), half of which is cotton. RCPB was created in 1970 with support from Desjardins International Development. Currently, about two thirds of its members belong to the urban banks of Ouagadougou and Bobo-Dioulasso. In order to

[9] There are three cotton trading companies operating in Burkina Faso, each a monopolist in a specified geographical area. They provide technical assistance to farmers as well as inputs on credit. They purchase the cotton produced by the farmers and then deduct these advances from the amount to be paid to farmers. This process of organization is supported by measures taken by the government, such as input price subsidies. This well-structured access to the market reduces repayment risks from the perspective of financial institutions and makes them more willing to finance the sector. However, this funding is almost exclusively short-term in nature. Although critical, it does not address the fundamental problem of sustainability of the cotton sector in Africa, namely lesser quality and low productivity.

professionalize the Network, four Enterprise Finance Centers have been established to evaluate and manage loans of over FCFA 5 million (approximately $US 10,300). Recently, the first Finance Center for Agricultural and Commercial Enterprises (CFEAC) was created to develop financial products tailored to the agricultural sector, including an inventory credit system[10] in collaboration with farmers' organizations (however, this is not yet widely used).

[10] The inventory credit system is a type of rural credit, whereby farmers are able to use output deposited in a warehouse as collateral for a loan.

2. OVERVIEW OF THE COMPACT AND THE INTERVENTIONS EVALUATED

2.1 OVERVIEW OF THE COMPACT AND ACCESS TO RURAL FINANCE ACTIVITY

MCC signed a five-year Compact with the Government of Burkina Faso in July 2008. For this purpose, the MCA-Burkina Faso was established as an independent legal entity responsible for implementing the Compact on behalf of the Government of Burkina Faso. The Compact entered into force in July 2009 and ended in July 2014. Its goal was to stimulate economic growth and reduce rural poverty through investments in four projects: Rural Land Governance Project, Agriculture Development Project (ADP), Roads Project, and the Burkinabe Response to Improve Girls' Chances to Succeed (BRIGHT II) Project. The Agriculture Development Project was, in turn, divided into three main components: the Water Management and Irrigation Activity, the Diversified Agriculture Activity, and the Access to Rural Finance Activity (ARF). The compact included total investments of approximately $480.9 million.

The Access to Rural Finance (ARF) Activity was part of the Agriculture Development Project. With an initial budget of approximately $14 million, this activity was designed to increase access to credit for small and medium enterprises working in agriculture value chains in the four western regions of Burkina Faso (Boucle du Mouhoun, Cascades, Hauts-Bassins, and Sud-Ouest). ARF consisted of three sub-activities: (i) a Rural Finance Facility (RFF) to offer medium-term financing; (ii) training of the Participating Financial Institutions (PFIs), which extended the loans via RFF funding; and (iii) support to potential end-borrowers through Business Development Services (BDS) providers to reinforce their capacity to manage their finances, thereby reducing perceived risks of the PFIs and any other financial institution considering expansion into the sector.

The Rural Finance Facility (RFF) was a loan fund, initially set at $10 million, through which MCA-BF-Burkina Faso made medium-term loans to selected PFIs. The PFIs then used the RFF funds to make their own loans of up to $100,000, with maturities from 18 months to five years, granted to farmers and small- and medium-sized rural and agricultural enterprises in the western regions of Burkina Faso for investment purposes. The PFIs were responsible for their own end-borrower appraisal and loan approval process, in addition to which they had to meet the required environmental standards. MCA-BF lent the funds to the PFIs at 3% per year, a subsidized rate, to help mitigate the perceived risks of rural lending. The PFIs could on-lend to the end-borrowers at market interest rates, but had to repay the medium-term financing regardless of whether the end-borrowers repaid. A consortium of Desjardins and AECOM (referred to as AD10) was hired as a consultant to, along with other responsibilities, launch and manage the Rural Finance Facility (RFF) activity under the supervision of MCA-BF and to ensure proper transfer to a local successor institution at the end of the contract.

Capacity building to the RFF PFIs was to be provided by the external consultant, AD10, to help PFIs to introduce tailored methodologies and technologies whereby they could cut the costs and risks associated with rural and agricultural finance. The PFI capacity building included the development and implementation of an accreditation program for the PFIs' rural lending officers, and support to the PFIs in adopting new methods and tools for rural financing. In addition, the Consultant, under MCA-BF's oversight, was to work directly with PFIs, other financial institutions, regulators, and financial sector donors to provide more general support to the development of rural finance in Burkina Faso and make recommendations on regulatory reforms to support rural finance.

Support to potential end-borrowers was provided through Business Development Services (BDS) providers to help them improve their business and financial management and thus their access to finance. AD-10 supported MCA-BF in selecting and training the participating BDS providers. Services to be provided were: diagnostic and action plans, preparation of loan applications, management training and advice, and technological or scientific services[11]. Price caps were set for the various business development services, but the Providers were free to set their own prices in their service contracts with clients. A dedicated BDS fund provided subsidies to help clients pay for these services. The subsidy would be paid upon delivery of proof of client's payment and copies of satisfactory deliverables to AD10. This sub-activity was supposed to be carried out over a 12-month period with an initial budget of $1 million.

2.2 Program Logic

2.2.1 Compact-Level

The aim of the Compact between the Millennium Challenge Corporation and the Government of Burkina Faso was to reduce poverty and stimulate growth. This was done through strategic investments in four projects: Rural Land Governance Project, Agriculture Development Project (ADP), Roads Project, and the Burkinabe Response to Improve Girls' Chances to Succeed (BRIGHT II) Project. The Rural Land Governance Project addressed the uncertain land property rights. The ADP aimed at improving water management and irrigation infrastructure, and enhancing skills and inputs to diversify agricultural products and household income. The ADP also included the ARF Activity focused on increasing access to finance. In addition, the Roads Project made remote and isolated areas accessible.

These projects were designed to build on one another to address several interrelated constraints to rural development. Irrigation infrastructure allows for production increases and diversification (e.g. off-season crops) and reduces climate risks. Improved accessibility to remote areas allows for better access to markets to sell the increased production. Clear property rights, irrigation, higher production and more secure access to markets, all contribute to reducing perceived risks and costs in lending to the agricultural sector. Enhanced access to finance allows producers to continue investing and improving their livelihoods beyond the duration of the Compact. All of these projects, therefore, were designed to create a virtuous cycle for sustainable rural development.

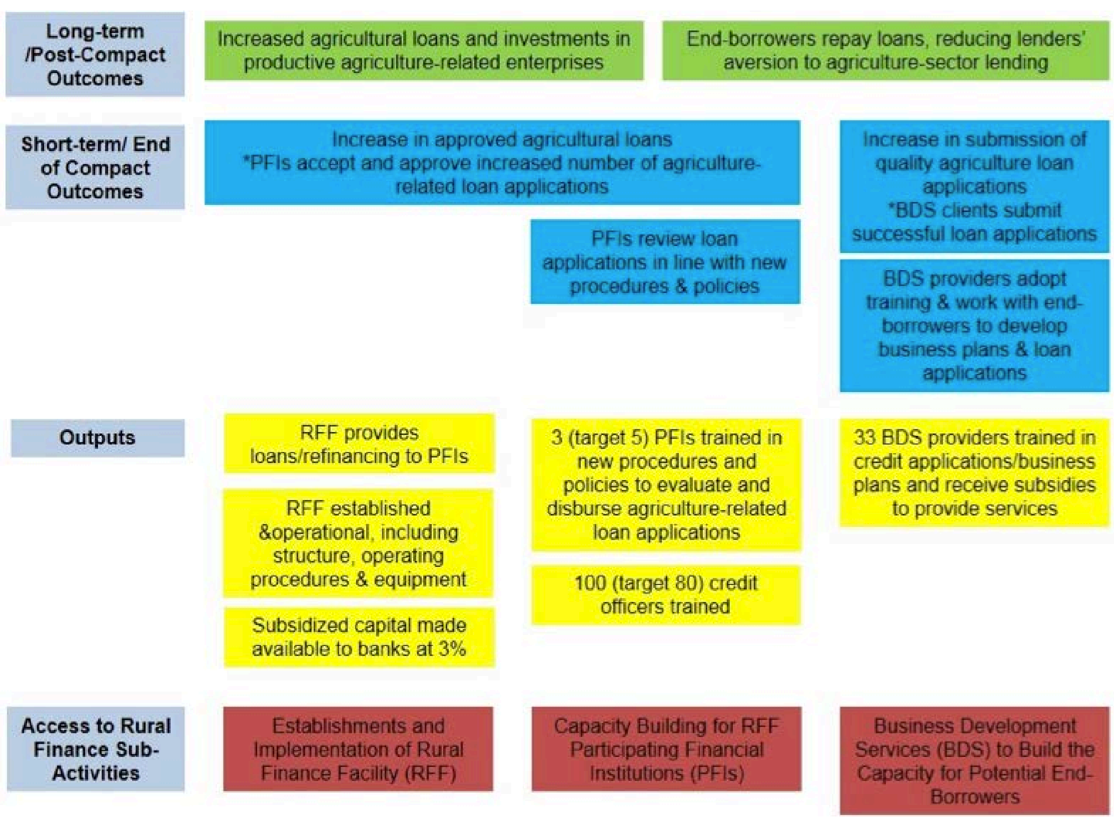
[11] These services are directly related to the product or service of the company with the aim to improve, secure and diversify the company's offerings.

2.2.2 Project-Level

2.2.2.1 The Theory of Change

The Access to Rural Finance Activity (ARF) was one of the components of the Agriculture Development Project. It consisted of three sub-activities: (i) a Rural Finance Facility (RFF) to provide subsidized medium term funds; (ii) training of the Participating Financial Institutions (PFIs); and (iii) support to potential end-borrowers through Business Development Services (BDS) providers. As per Program Logic (see Figure 2), the availability of the RFF combined with training was intended to mitigate PFIs' perceived risks and increase their skills and confidence in agricultural and rural lending. At the same time, the support provided by BDS providers to end-borrowers was aimed at increasing the quality of loan applications and strengthening rural enterprises' business management skills and, as a result, further reduce PFIs' perceived risks. In the long-term, the goal was that PFIs would increase their rural portfolio and end-beneficiaries would repay loans more easily thanks to better management and increased productivity.

Figure 2: Program Logic of the Access to Rural Finance Activity



Source: Evaluation ToRs; MCC

2.2.2.2 Project Design

Three mutually reinforcing sub-activities were designed to achieve the desired short- and long- term outcomes:

- **Rural Finance Facility (RFF)**: a revolving fund of $10 million lent to PFIs at the concessional fixed annual rate of 3%. The PFIs could on-lend medium-term loans (from 18 months to five years) to the eligible end-borrowers. The loan amount could range from $2,000 up to $100,000, and could be granted at market interest rates. The end-borrowers were expected to provide at least 10% of the investment amount. PFIs could continue applying their loan appraisal criteria and procedures, including collateral requirements, in addition to which they were required to comply with environmental standards. They would receive the funds only after confirmation of the end borrowers' eligibility and approval of their claims, but they had to repay the medium-term financing whether or not the end-borrowers repaid, therefore bearing the full risk of the loan. The repayment schedule for the RFF money was designed to mirror the end-borrowers repayment schedule, which is in line with best practice of rural finance. In addition, the project design included a Challenge Grant Fund, i.e. the possibility to retain up to 50% of the RFF funds utilized based on successful performance, as an incentive mechanism. This latter component was, however, not implemented.
- **Capacity building to the RFF PFIs:** the RFF was complemented with capacity building for PFIs to help introduce tailored methodologies and technologies for rural and agricultural finance. The PFI capacity building included the development and implementation of an accreditation program for PFIs' rural loan officers. The accreditation program included six training modules: i) Overview of Rural and Agricultural Financing; ii) Concepts of Financial Analysis and Credit Approval; iii) Analysis of an Agricultural Loan Request; iv) Management of Agricultural Financing Risks; v) Gender Issues in Rural Financing; and vi) RFF and Environmental Risks. The Finance/Business Services Consultant, i.e. AD10, was tasked with providing capacity building services and developing the accreditation program. As a result, the trained PFIs were expected to review loan applications with new and more adequate procedures and policies.
- **Access to Business Development Services (BDS):** provided by a network of BDS providers to be selected, trained, and supervised by AD10. The services to be provided were: diagnostic and action plans, preparation of loan applications, management training and advice, and technological or scientific services[12]. Price caps were set for the various services, but without adequate monitoring, the Providers were able to ignore these caps when setting their own prices in their service contracts with clients. A dedicated BDS fund provided subsidies for these services on a sliding scale from 70% (for larger enterprises) up to 90% (for the smallest clients) of the capped price. If the BDS Provider charged more than the price cap, then the client paid for 100% of the amount over the cap. The subsidy

[12] These services are directly related to the product or service of the company with the aim to improve, secure and diversify the company's offerings.

was paid upon delivery of proof of client's payment and copies of satisfactory deliverables to AD10. This sub-activity was expected to be carried out over a 12-month period with an initial budget of $1 million.

The organizational structure was designed around three main stakeholders: MCC, MCA-BF and AD10. AD10 was responsible for supporting MCA-BF in the daily management of the RFF in coordination with the Fiduciary Agent; for providing capacity building to the PFIs and for monitoring their use of funds with random field visits; and for training and overseeing BDS providers' activities. MCA-BF was responsible for the general management of the ARF, including the contract management and oversight of the conduct of AD10 and all other stakeholders (Fiduciary Agent, Fiduciary Bank, PFIs), and for any monitoring and reporting requirements to MCC. Finally, MCC had to approve all major decisions and agreements such as RFF policies and procedures manual, selection criteria for AD10, PFIs and BDS providers, contracts and agreements between all stakeholders, etc.

Box 1: RFF Flow of Funds and Claims Approval Procedure

Based on the final RFF Policies and Procedures (May 2012), the flow of funds was structured as follows:

1. IFP submits no more than one claim to AD10 once a month.
2. AD10: (i) verifies that all loans to end borrowers mentioned in the claim meet RFF eligibility criteria; (ii) calculates the total amount of the eligible loans and ensures that it is within the available balance per each PFI as per loan agreements; and (iii) submits the verified and validated claim to MCA-BF for approval.
3. MCA-BF approves the claim validated by AD10, and sends it to MCC for non-objection, if required. MCA-BF and AD10 must correct and resubmit the request until the non-objection is obtained.
4. MCA-BF notifies AD10 of the final amount approved and ready for disbursement. If the total amount is not approved, MCA-BF notifies AD10 of the amount and reason for partial rejection. AD10 informs the PFIs accordingly.
5. If the claim is approved, AD10 prepares the disbursement documents and repayment schedule of the principal and transmits them to the PFI. The PFI should sign the documents and send them back to MCA-BF, with a copy to AD10.
6. MCA-BF verifies the authenticity of the disbursement documents. After verification, MCA-BF transmits the documents to the Fiduciary Agent with the claim support documentation.
7. The Fiduciary Agent verifies the compliance of all documentation and submits it to MCA-BF for approval.
8. The MCA-BF (Head of ADP) approves the request for disbursement and retransmits it to the Fiduciary Agent.
9. The Fiduciary Agent consults with the MCA-BF/RFF Bank Account balance to determine if new funds are required and notifies the MCA-BF. Two cases may arise:
   i. The balance is sufficient to cover the amount approved. In this case, the Fiduciary Agent requests the Fiduciary Bank to transfer the approved amount to the PFI.
   ii. The balance is insufficient. In this case, the Fiduciary Agent makes a disbursement request to MCC. Once this transfer is received, the Fiduciary Bank can transfer the approved amount to the PFI.
10. The Fiduciary Bank sends a notification of the transfer to the MCA-BF, the Fiduciary Agent, and AD10.
11. The PFI then pays these funds to the final borrowers no later than 10 working days after receipt or keeps these funds to cover loans already paid to the final borrower.

Source: Adapted from "Mécanisme d'accès au financement rural du Millennium Challenge Account – Burkina Faso. Politiques et procédures relatives à l'administration du programme". Version 3.1. 21st May 2012

2.2.2.3 Other Factors that Influenced Project Design

The decision to establish a RFF was the result of a due diligence process. This process came to the conclusion that the unmet demand for rural SME finance was substantial. The main constraints for expanding access to credit to rural SMEs were identified as being insufficient long-term sources of funding, difficulties in obtaining and realizing guarantees, the low quality of loan applications and the scarce availability of financial information. However, it seems that a systematic and detailed analysis of the socio-economic profile and financial needs of the end beneficiaries (e.g. income level, type of business, cash flow, type of crop and value chain positioning and links, etc.) was not carried out. As a result of the due diligence process, an initial investment proposal for the ARF Activity was proposed based on key design principles such as private sector/demand driven, flexible budgeting, working with existing institutions and centralized control. According to the trip reports, this initial proposal consisted of three elements[13]:

i. **Access to Medium-Term Finance**, to be improved through the following potential financial instruments:
   - A **Medium-Term On-Lending Fund** ($15 million) to be provided to participating financial institutions, potentially at a concessional rate, for on-lending to agricultural enterprises;
   - A **Guarantee Fund** ($2.5 million) to enlarge the partial guarantee program of the *Société Financière de Garantie Interbancaire du Burkina* (SOFIGIB) to agribusinesses;
   - A **Cost-Sharing/Risk Capital Fund** ($3 million) to provide small but crucial value-chain related investments or for special activities which have substantial spillover effects or additionality;
   - A **Public Private Partnership Fund** ($5 million) to aid in the development of larger value chain related investment projects that would serve regional or national purposes.

ii. **Access to Technical Assistance/Business Services Support** to be achieved through the collaboration with the following potential channels:
   - Center for Finance of Agriculture (CFA) of the *Réseau des Caisses Populaires du Burkina* (RCPB) ;
   - *Maison de l'Entreprise;*
   - Direct support provided by the technical assistance provider or by the Finance/Business Services Consultant;
   - Technical Support for Large Companies and Public Private Partnership Development provided by the Finance/Business Services Consultant.

[13] Source: *"Burkina Faso Trip Report Oct 07 FPSD"*. Report prepared by Lawrence Camp and Liza Valenzuela, drawing from findings of their October 2007 trip to Burkina Faso.

iii. **Financial Sector Infrastructure** to address the scarce availability of information. Instruments such as Real Time Loan Information Reporting System, Internet Based Movable Registry and Improved Financial Connectivity were suggested.

The Investment Memorandum[14] identified some potential risks, also based on the lessons learned from previous projects, and proposed respective mitigation strategies that were then incorporated in the project design. Specifically, the report expressed the following concerns:

- The detailed breakdown of tasks for the Diversified Agriculture activity and Rural Finance activity could "**stretch contract management capacities",** therefore jeopardizing project efficiency ("*fiduciary risk*"). As mitigation strategy, it was suggested that the two activities should be managed under one contract.
- A lack of creditworthy applicants could contribute to **discouraging the PFIs and, in turn, lead to lower disbursement rates** (*"completion risk"*). As mitigation strategy, it was suggested that, on one side, capacity building should be provided to PFIs to increase their confidence and skills to profitably engage in rural lending. On the other side, support should be provided to potential borrowers to improve their loan applications and creditworthiness.
- RFF funds may have a lower impact than expected on agricultural investments (*"results risk"*). As mitigation strategy, it was suggested that the selected participating financial institutions should be well established in the rural areas. In addition, punctual monitoring and drawbacks would be included in the design to encourage compliance.
- **Difficulties in understanding and applying environmental requirements** may lower disbursement/uptake rates (*"quality risk"*). As a mitigation strategy, it was suggested that environmental guidelines and training should be provided; quarterly reports and audit on a sample of loans should be also performed on an annual basis.

In terms of organizational structure, the Investment Memorandum proposed "a **single implementer approach"**: a Finance/Business Services Consultant, selected on a competitive basis, was tasked with the implementation and oversight of all activities under the supervision of MCA-BF and based on a terms of reference approved by both MCC and MCA-BF. This approach was eventually adopted and AD10 was hired as the external consulting company in charge of implementation of the Diversified Agriculture Activity and the Access to Rural Finance Activity.

[14] Source: *Burkina Faso Investment Memo – Annexes. April 21, 2008*

2.2.3 Program Participants

Three main categories of participants can be identified under the ARF: Participating Financial Institutions (PFIs), Business Development Service (BDS) providers, and end-beneficiaries.

- **Participating Financial Institutions**[15]: Both banks and non-banking institutions were eligible to participate in the ARF, and selected based on different criteria. The criteria for selecting the financial institutions were based on BCEAO's and Banking Commission's prudential norms and included: financial soundness, a minimum net worth of $2MM, portfolio-at-risk lower than 20% of the total credit portfolio, commitment and capacity to conduct rural lending in the selected regions, willingness to share information with MCA-BF-Burkina and to participate in rural and agricultural credit training, as well as comply with environmental guidelines.
- **Business Development Services Providers**[16] **:** Business Development Services Providers needed to be registered as a company, association or cooperative offering non-financial services to rural sector related enterprises in the targeted regions to improve their access to finance. Specifically eligible providers were required to have: financial and administrative organization; necessary transportation and bureaucratic tools; experienced professional staff; previous experience in activities such as support, strengthening, consulting, technological or scientific services, and financial intermediation for agro-businesses.
- **End-beneficiaries:** The principal beneficiaries were farmers, farmer groups, and agro-businesses including co-operatives and associations that were engaged in agriculture and agricultural-related activities within the four western regions of Sud-Ouest, Hauts Bassins, Cascades, and Bouclé du Mouhoun. End-beneficiaries also included businesses not physically located within one of these regions, but operating within the agricultural market chain within the regions, including input and service providers.

[15] Source: Adapted from "Mécanisme d'accès au financement rural du Millennium Challenge Account – Burkina Faso. Politiques et procédures relatives à l'administration du programme". Version 3.1. 21st May 2012

[16] Source: Adapted from "Fonds d'appui aux entreprises rurales: Politiques et procédures relatives à l'administration du programme". Version 2.1. 18th September 2012

2.2.4 Geographic Coverage

The Agriculture Development Project activities focused on the Sourou Valley, in Boucle de Mouhoun region, and the Comoé Bassin, in Cascades region. However, the ARF sub-activities covered a broader area consisting of the four western regions of Burkina Faso: Boucle du Mouhoun, Cascades, Hauts-Bassins, and Sud-Ouest. All sub-activities were run and monitored from Ouagadougou.

Figure 3: Areas of intervention of Burkina Faso Compact

2.3 LINK TO ERR AND BENEFICIARY ANALYSIS

Cost-benefit analysis for the Agriculture Development Project was very limited, and neither the economic rate of return (ERR) nor a beneficiary analysis were conducted specifically for the ARF activity.

3. LITERATURE REVIEW

Up to the mid-eighties, agriculture finance policy consisted primarily of channeling credit through state-owned development finance institutions. These efforts were mostly supply-driven and focused on lending rates and collateral requirements by commercial banks as key constraints to be addressed. Yaron (2000) explains that the premise behind this approach was that shortages existed because demand for credit among SME farmers was greater than supply, thus creating monopoly power for those who offered credit. However, these institutions were created simply to channel funds, not to become self-sustaining credit facilities; they faced no competition, had limited accountability and thus lacked incentive to make strong collection efforts. The achievements under this approach have been quite modest, not least because it fails to acknowledge the multidimensional nature of the challenge faced by financial institutions in rural areas. Dale Adams, Douglas Graham and Robert Vogel of Ohio State University as well as J. D. Von Pischke of the World Bank have written extensively about the failure of these policies.

Consequently, a significant paradigm shift took place in agricultural/rural finance.[17] The 1989 World Development Report embodied this new approach focusing more on the need to develop financial systems and build sustainable financial institutions. Schmidt and Kropp (1987) argue, for instance, that a policy of high interest rates could actually improve access to finance. They advocate for a financial system approach to rural finance, which is defined as the financial side of all economic processes in rural areas. This includes financing, but also savings and the insurance of financial risks. J.D. Von Pischke (1991) talks in this respect of “finance at the frontier” and argues for a “market niche” approach. Desai and Mellow (2002) identify several elements contributing to the development of an effective and sustainable rural financial system such as: competition; diversification of the type of financial institutions; financial institutions with vertical organizations and high density of field-level offices; high level of access to finance in the area; and multiple functions of the financial institution to respond to different financial needs along the supply chain. Desai et al. (2002) subsequently argue that systems that meet these criteria are better able to realize rural growth with equity, financial viability and integration of rural financial markets, and economies of scale.

In recent years, the academic focus has been shifting away from rural financial institutions towards leveraging existing financial relationships along the agricultural value-chain. The institution-building approach led to policies based on the provision of incentives to commercial banks to expand in rural areas and, in some fewer cases, on the creation of financial intermediaries in rural areas. While these policies significantly reduced the market distortions and waste of public resources of previous years, their actual achievements in terms of expanding access to finance in rural areas has been more modest than expected. Only a handful of institutions can be regarded today as successful providers of financial services to small farmers and it still remains to be seen whether their respective business model can be replicated on a broader scale.

[17] Rural finance is a technically a broader concept than agricultural finance as it focuses on the provision of financial services in rural areas, both for agricultural as well as non-agricultural activities.

Miller and Jones (2010) explain how a value chain approach allows transaction costs and risks of lending to be reduced by understanding the governance structure of the chain and by playing on actors' internal knowledge. Not only do these supply-chain actors have the required product and sector expertise to operate in rural markets, but their existing business relationship with farmers provide them with an information advantage that financial institutions can hardly match. Therefore, the authors argue that financial institutions' credit appraisal should go beyond the characteristics of the direct loan recipient and his/her individual creditworthiness to analyze the strength and competitiveness of the chain as a whole. Strong commercial relations work as a signal: banks know that large buyers need to work with reliable and efficient producers; while producers are considered more creditworthy if they have an assured market for their produce. Hence, value chain linkages, contracts and expected production work as alternative collateral for producers and SMEs involved in the chain. The flows of funds across the chain are analyzed to identify financial needs and constraints as well as strengths and weaknesses faced by each value chain actor to find an effective entry point to channel the funds and enhance productivity and competitiveness of the chain.

Recent academic research has also increasingly focused on the design of specific financial instruments such as term finance, the microfinance approach and insurance. Hollinger (2004) examines several case studies in which term loans, financial leases and equity finance were used and finds that the suitability of products depends on the local characteristics of demand and the institutional and legal framework. Term loans are the most common as they allow for flexibility in investment options and disbursement and repayment plans. Despite this flexibility, term loans still require fixed payment schedules that are difficult to maintain given the uncertainty associated with farming. Financial leasing is attractive as it eliminates collateral requirements but it suffers from high costs both in set up and in supervision. Equity finance through shareholders does not require fixed repayment schedules and reduces issues that arise from asymmetric information but it requires high transaction costs and is thus unsuitable for small investments.

Meyer (2011) stresses the need to better understand the demand for and use of agricultural credit to develop effective products, institutions, market infrastructure and policies. The author then discusses the use of "smart" or "market-friendly" subsidy approaches such as matching grants, credit guarantee funds, warehouse receipts, micro-insurance, etc. Hollinger (2011) describes an innovative approach that combines elements of micro-lending and conventional agricultural lending into a specialized loan package. These loans allow for disbursement and repayment schedules flexible around the seasonal nature of agriculture, such as grace periods, irregular payments or bullet repayments. They also include flexible collateral requirements in which a borrower could use land, farm equipment or even livestock. Cohen (2010) advocates more focus on financial education, among other things, as a way to ready the unbanked (people without access to conventional banking services) to enter the formal financial system.

Risk management solutions such as micro-insurance and weather-index-based insurance are also discussed in the literature. Alderman (2008) discusses various approaches used by governments and donors to protect farmers against a variety of agricultural risks. While a number of them are very innovative, the author concludes that they are largely untested. Meyer (2011) argues that weather-index insurance has the potential to reduce the administrative, adverse selection, and moral hazard issues of traditional insurance. Bundling insurance with loans and savings should be a logical step to reduce costs and speed adoption. Governments and donors should focus on long-term public goods investments, such as in weather-reporting stations and basic data collection and analysis, which are needed to create the conditions and infrastructure for robust insurance markets.

Few rigorous impact evaluations of rural finance programs can be found in the literature. Donor institutions and aid agencies increasingly need to ascertain whether the spent funds worked well to achieve the targets, and how to encourage and facilitate the best practices in the provision of agricultural and rural finance. This calls for rigorous and strong conceptual base studies to test the feasibility of institutions, services, and the targeted population (Nagarajan, et al, 2005). However, knowledge on achieving the targets of such initiatives is limited due to lack of proper evaluations. Yaron, Benjamin and Charitonenko (1998) discuss the inherent issues with evaluating the performance of rural financial intermediaries, as it is difficult to predict behavior of borrowers in the absence of the program. It is also extremely difficult to isolate the effect of the program from external factors. Their proposed method of evaluation is based on the success of the program in areas of outreach, as measured by an index that factors market penetration, demographics of clients and quality of services, and self-sustainability measured by an index of subsidy dependence.

However, recently there has been increasing demand to measure the effectiveness of rural finance projects. This is because most development organizations currently focus and report only on their outputs rather than outcomes and because there is scant evidence to show the true contribution of programs. In the last decade there has been tremendous use of quantitative impact evaluations of program interventions in development projects. Some economists argue that randomized control methodology should be central to impact evaluation practices. However, randomization is rarely possible in developing and less developed countries and sometimes it increases the difficulty of understanding the complex environment in which development projects are implemented.

As a result, mixed methods are widely used to evaluate project performance. The benefit of this methodology is that it takes into consideration the social, economic, political and geographic aspects of the people and place where the program is implemented. Additionally, most program assessments evaluate changes that can be measured over a short period of time. In such circumstances, to be able to make a constructive and valid contribution, mixed methods can be a useful approach. Bamberger (2009) also argues that many evaluations that are non-quantitative have a systematic positive bias. Because consultants are frequently in the field for only a short period, it is likely that only beneficiaries and agencies directly involved in project implementation, who tend to have a favorable impression of the project, will be interviewed. Many project evaluations do not interview non-beneficiaries. Using a mixed methods design can help to more accurately identify comparable non-participant locations and individuals and take into account their perspectives in the analysis.

In line with the current state of academic research, the present evaluation uses a mixed-methods approach incorporating both qualitative and quantitative aspects to evaluating the performance of the Agricultural Rural Finance interventions at the individual as well as institutional level. We also included as many as possible interviews with non-beneficiaries to reduce the effect of the aforementioned bias.

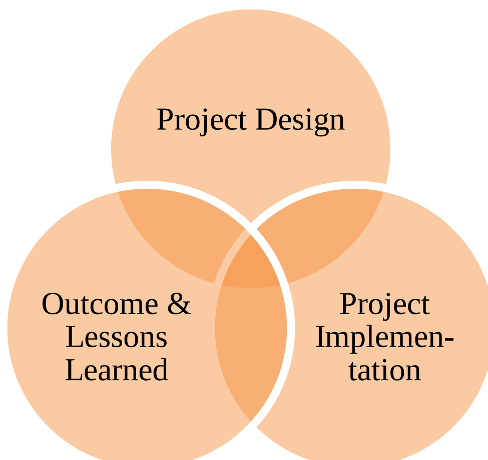
4. EVALUATION DESIGN

4.1 OVERVIEW OF EVALUATION DESIGN

The evaluation analyzes ARF's three areas of intervention (i.e. Rural Finance Facility Lending Fund, Capacity Building to PFIs, Access to Business Development Service for end beneficiaries) to understand:

a) The validity of the program logic and its assumptions (Project Design);
b) The degree to which planned activities were implemented (Project Implementation);
c) Outcome results and lessons learned. These aspects are analyzed across the three sub-activities.

Figure 4: Evaluation Framework



The evaluation of the Project Design follows a theory-based approach that examines the entire project logic. That means examining the entire causal chain from activities and inputs to outputs to outcomes to possible impacts to exploring how and whether inputs led to the expected outputs. In doing so, the A2F Consulting team analyzed which components or which stages of the project worked well, and which ones did not. The team also evaluated the theory of change including the validity of its assumptions and hypotheses. This approach helps to identify any weak links in the causal chain and inadequate design features that may have influenced project outcome and may have resulted in any unintended consequences.

From the Project Implementation perspective, the team analyzed and assessed the processes for PFIs to access and on-lend RFF funds; the quality of the training at the PFIs, BDS providers and end-beneficiaries levels, and the quality of project management including the reasons for implementation delays; what influenced the performance of different project participants during project implementation; and how thorough implementation planning was, etc. Based on the program logic, program indicators and expected results, as well as on the results of the previous evaluation components, the team examined the project outcomes and strived to identify key insights and lessons for future MCC projects.

The evaluation of project design took the form of a mixed-methods performance evaluation. Available quantitative data consists predominantly of information on the terms of loans offered to beneficiaries such as amount, repayment schedule, interest rates, etc. A2F requested information on repayment rates from the PFIs as well as information on their agricultural portfolio. During the data collection effort, the team collected quantitative information from beneficiaries on the size of their business (e.g. number of employees, turnover), level of indebtedness, etc. However, as anticipated, PFIs did not avail the requested information to the level of detail needed for the performance analysis from all of the PFIs. This limited the A2F team's ability to evaluate whether the level of lending to the agricultural sector, interest rates, default rate, etc. have changed as a result of the program. To compensate for this, A2F used BCEAO (Central Bank of West African States) information on agricultural lending to cross-check the qualitative information collected from PFIs, and integrate the analysis.

Despite the long-term perspective of the program logic, it is not feasible to implement an impact evaluation mainly due to a lack of baseline data and control group. Also, for those beneficiaries that received funding under the program, loan repayment is still ongoing until 2018. As a result, the evaluation will not be able to measure the final impact of the project.

4.2 Evaluation Questions

The evaluation questions are divided into three components as per the evaluation framework.

Table 2: Evaluation Questions

Evaluation Component	Research Questions
ARF Activity Design	• *Was a market assessments performed prior to the design of the project? If yes, were the results of this assessment taken into account in the project design? What were the results of the due diligence? What methods were used for the due diligence? How were these results incorporated into the design and how robust were they?* • *Were there other key constraints not addressed by the program that might have hindered its implementation?* • *What were the terms of participation in the program for PFIs/BDSs?* • *What incentives, if any, were built into the program to encourage bank participation in the Rural Finance Facility Lending Fund?* • *What was the structure of the Activity Management? Did this impose any undue burden on the PFIs to access the funds?*

Evaluation Component	Research Questions
Implementation	• *How well did the implementation adhere to the original design?* • *Were any changes made and how did they help/hinder the effectiveness of the implementation?* • *How did the quality of implementation of each component affect the success/non-success of the activity overall?* • *How useful, timely or effective were the different training components from the perspective of those being trained? To what extent did the stakeholders implement the new practices per training?* • *How well did the structure, management, timelines of the ARF activity function? Specifically, how did the communications, administrative procedures and processes help or hinder the implementation?* • *What problems, if any, did PFIs/BDSs face in participating in the project? What problems, if any, did end-beneficiaries face in participating in the activity?*
Outcomes and Lessons Learned	• *What lessons can be learned from Burkina's ARF project? What could have been done differently to overcome obstacles to achieving the desired results?* • *How did the offering of these types of loans affect the market? Have other banks/financial institutions begun to offer these products?* • *What has been the experience of beneficiaries with these financial products, BDSs and PFIs?* • *Did banks receive better or an increased number of applications for rural agricultural loans? Did they increase their portfolio in agricultural investments?* • *How long did PFIs actively participate in the RFF? If PFI participation ended prior to the closure of the RFF, why was this participation ended?* • *How, if at all, did PFIs change their practices for agriculture/rural lending? How, if at all, did the RFF change PFIs' risk perception of agricultural/rural lending?* • *Did the BDS providers increase their capacity on advising rural/agricultural businesses?* • *Did the end-beneficiaries increase their business management capacity?* • *Do the end-beneficiaries have (or perceive) better access to credit from the PFIs?* • *Do the end-beneficiaries continue to use BDS?*

4.3 Policy Relevance of the Evaluation

Agriculture is a key sector for the Burkinabe economy. As discussed above, the vast majority of Burkina's population (about 80%) lives in rural areas and relies on agriculture, livestock and fisheries as main sources of livelihoods. Cereals and cash crops represent the main activities. The production is still primarily for home consumption and the sector is characterized by low productivity, poor access to inputs and equipment, and very limited irrigation. Access to market and finance are the foremost constraints remaining in the agricultural sector. According to available statistics, only 6-9% of cereals and 40% of cash crops reach the market. Transformation is at an early stage and dominated by artisanal and semi-industrial units. This is explained by weak demand for processed products, limited access to equipment and incentives for enterprises as well as the strong competition from imported products.

Access to finance has been identified as a particular policy constraint. In 2013, financial inclusion rate was particularly low, at 5.89%[18]. Agri-business and farmers registered a high level of financial exclusion, as banks perceive that lending to these categories is particularly risky. Only 2.1% of farmers are able to obtain loans, of which 35.4% are in cash and 61.3% in inputs.[19] About 1.7% of all households receive a loan for equipment (usually from the supplier). Besides cotton, the financial system serves agriculture only marginally. Short-term and long-term lending to agriculture reached, respectively, 4.2% and 0.6% of total lending in 2012. Microfinance development is also very limited and mainly concentrated in the cotton sector. The Burkinabe authorities are studying reforms in the sector to improve access to credit and several banks are also developing strategies to attract typically unbanked customers (e.g. prepaid card not linked to a bank account, cheaper bank accounts, and mobile banking products in partnership with telecom operators, etc.).

The Government of Burkina Faso addresses the issue of agricultural finance in two main policy documents: the Programme National du Secteur Rural (**PNSR – National Program for the Rural Sector)**, and the **National Microfinance Strategy (NMFS).** The PNSR provides the comprehensive framework for policy interventions in the rural sector in Burkina Faso. With regard to agricultural financing, the PNSR recognizes the need to involve the financial system in order to improve access to finance for the agricultural sector. However, agricultural finance is not identified as a priority. Also, the cotton sub-sector is excluded from PNSR since it is under the responsibility of the Ministry of Commerce. The NMFS's main objective is to promote the professionalization of the microfinance sector, product diversification and outreach expansion, with 46.5% of the budget devoted to this purpose. Nevertheless, the NMFS does not specifically target rural areas.

To encourage private investment in the agricultural sector, the Burkinabe government is working on an Agricultural Investment Code and Agricultural Orientation Act and is considering the development of a National Policy on Agricultural Risk as well as measures to promote agricultural entrepreneurship.

[18] BCEAO (2013b), 4th quarter 2013
[19] MASA (2008)

This is expected to help improve the perception of risks related to the agricultural sector, and thus encourage financial institutions to increase their investments in the sector.

The ARF activity was well aligned with these government priorities. It aimed specifically at increasing investment financing for SMEs in the agriculture value chain by providing the funds on one side and technical assistance and training to multiple stakeholders on the other. Therefore, the results of the present evaluation will provide lessons learned on agricultural finance for investment that will enrich policy discussions on how to foster agricultural investments. Moreover, from the perspective of MCC, access to finance in agriculture and rural areas is a common problem in Africa; therefore, lessons learned from this evaluation can be used internally to improve project design and implementation in the future.

4.4 METHODOLOGY

The present evaluation uses a mixed-methods approach incorporating both qualitative and quantitative aspects to evaluating the performance of the Access to Rural Finance (ARF) Activity. In line with the research questions above, it will seek to understand: (i) the validity of the program logic and its assumptions; (ii) the degree to which planned activities were implemented; (iii) output and early outcome results as well as lessons learned from project implementation.

The data collection consisted of two phases: the exploratory mission for the evaluation design preparation, and the data collection phase. During the evaluation design preparation phase, the A2F team was able to talk to several MCC staff involved in the Compact design and implementation, to obtain several project documents and carry out a scoping mission in Burkina Faso in November 2014. During this mission, the team met with a relevant number of local stakeholders, namely;

- MCA-BF available staff of the Agricultural Development Project (APD);
- ADP ARF officers;
- MCA-BF M&E department,
- MCA-BF Environmental department;
- AD10 local consultants;
- PMC-PDA;
- PFIs (Coris Bank, Banque Atlantique, RCPB) management and branch managers in one area of intervention (Bobo Dioulasso);
- A sample of 9 BDS providers out of 33 participating to the ARF;
- Fiduciary Bank (Ecobank);
- Fiduciary Agent (GFA Consulting).

As a result of the preparation phase, the A2F team identified four different beneficiary categories. Table 3 below links each beneficiary category to the project component in which they were involved and the proposed data collection methodology. Given the potential overlap between the BDS and Loan recipient and the similarity of information to be collected, the evaluation used the same set of tools for recruitment and interviews for both types of end-beneficiaries. The tools were designed so that in cases where there is no overlap, respondents will only be asked questions relevant to the type of service/benefit they received.

Table 3: Types of Project Beneficiaries and related data collection methodology

Beneficiaries	Project activity	Methodology
Participating Financial Institutions (PFIs) and their staff	Access to subsidized funds (3%) to on-lend at market rate. Received training on ARF requirements (e.g. environmental) and rural/agricultural finance lending technology.	• Semi-structured interviews of PFI management and loan officers.
Business Development Services (BDS) Providers	Received training on requirements of participation in the program, and on how to address the needs of rural/agricultural entrepreneurs.	• Semi-structured interviews and focus groups of BDS providers and their staff who received training.
Business Development Services (BDS) Recipients	Received the following services by BDS • diagnostic and action plans; • preparation of loan applications; • training/advice on business management .	• Survey/Structured interviews; • Focus Groups; • Case studies.
Loan Recipients	Received a loan through the RFF mechanism.	• Survey/Structured interviews; • Focus Groups; • Case studies.

In addition, the A2F team identified MCC and MCA-BF project management staff as well as the AD10 Consultant as key informants with whom the A2F team conducted semi-structured interviews during the data collection phase of the evaluation. Non-Participating Financial Institutions and Non-Beneficiaries were also interviewed to understand any factors that may have prevented their participation in the ARF Activity.

The data collection phase was conducted in April/May 2015. The A2F team visited Ouagadougou and the intervention areas over a period of four weeks to conduct the interviews as planned in the study sample and methodology described below.

4.5 Study Sample

The application of a statistical sampling methodology for this evaluation was limited due to the lack of a comprehensive database with end-beneficiaries' characteristics. The only available characteristics on end-beneficiaries are: region, name and whether they are loan/BDS recipients. Due to these limitations, the sampling for these two groups was based predominantly on their region. However, there were very few beneficiaries in two out of the four regions (e.g. less than five beneficiaries received loans in Cascades while only two beneficiaries received training in Sud-Ouest); therefore, to obtain sufficient representation of that area, A2F attempted to interview all beneficiaries in those areas.

One of the issues encountered by the A2F team in the design of the evaluation and sampling methodology has been conflicting information on the final number of beneficiaries. While documentation received from MCC (ITT and the TORs for the evaluation) indicates a total number of 96 end-loan beneficiaries at the end of the ARF activity, the database of beneficiaries received from the Credit Officer at MCA-BF indicates a total number of 68 end-loan beneficiaries. Only at a later stage could MCA-BF clarify that two loans were actually granted to associations with 17 and 12 members, respectively. Therefore, the project reached 96 beneficiaries with 68 loans. For the purpose of the sampling, however, A2F used the database of 68 beneficiaries as it contained the most complete information on beneficiaries (e.g. name, loan terms, contact information, etc.) and MCA-BF/MCC communications indicate that these loans were approved. This information was also crosschecked with supporting paperwork submitted by PFIs to the Fiduciary Agent with their disbursement requests.

Similarly, with the number of BDS recipients, communications from MCA-BF to MCC indicated a total of 283. However, communications between MCC and MCA-BF indicated that AD-10 approved 283 BDS services, paid for 77 and transferred the remaining 206 to MCA-BF, which approved 158 and rejected 58. This brings the total number of BDS recipients to 235. However, the database received from MCA-BF contains only 170 BDS recipients, of which 158 include contact information. AD10 representatives subsequently clarified that AD10 trained directly about 200 beneficiaries at the beginning of the ARF activity. Nonetheless, the information remains inconsistent.

For the different target groups, the following sampling methodologies were applied:

1. **AD10 Consultant staff**: due to the project's early termination, staff from the AD10 consultant was re-located. A2F interviewed 3 AD10 local consultants and AD10 project director using semi-structured interviews.
2. **MCA-BF Project Management Staff**: due to the MCA-BF's closure and limited access to staff, A2F interviewed 3 former MCA-BF staff using semi-structured interviews.
3. **MCC Staff**: A2F interviewed 4 former MCC staff involved in the project using semi-structured interviews.
4. **PFIs and their staff:** Only three financial institutions participated in the ARF activity. A2F interviewed the management of 2 PFIs, field staff and loan officers for a total of 13 semi-structured interviews.
5. **Non-PFIs**: A2F interviewed the management of 2 financial institutions in Burkina Faso that did not participate in the ARF.
6. **BDS Providers:** 33 BDS providers participated in the ARF activity. A2F interviewed 10 BDS providers, mainly management representatives, using semi-structured interviews.
7. **BDS Recipients:** A combination of a survey and focus groups was used to collect information from BDS recipients. A sample of 79 BDS recipients was interviewed and 5 focus groups were conducted in Bobo-Dioulasso and Dédougou.
8. **Loan Recipients:** A combination of a survey, focus groups and case studies was

used to collect information from this group. Specifically a sample of 30 loan recipients was interviewed using structured interviews; 1 focus group with 8 participants was conducted in Bobo-Dioulasso; and five loan recipients were selected for case studies using semi-structured interviews.

9. **Non-Beneficiaries**: 15 non-beneficiaries were interviewed using semi-structured interviews.

For regions with a low number of end-beneficiaries, over-sampling was used to ensure that there was sufficient representation of these regions; for regions with larger groups, the sampling was random. Similarly, oversampling was used to ensure that a sufficient number of women were interviewed. For case studies, the selection was non-random as they were selected to get a representative view of different parts of the agricultural value chain, loan size, etc. To identify the non-beneficiaries, A2F used snowball sampling, e.g. recruiting non-participants from among loan and BDS recipients' acquaintances; BDS providers were also solicited for lists of individuals who were recruited but did not participate in the project.

Table 4: Evaluation Target Sample vs Actual Sample by beneficiary type

Stakeholders surveyed	Method	Target Sample	Actual Sample
AD10 Consultant staff	Semi-structured	All available	4
MCA-BF Staff	Semi-structured	5	3
MCC Staff	Semi-structured	5	4
PFIs Management and Staff	Semi-structured	9	13
Non-PFIs	Semi-structured	3	2
BDS providers	Semi-structured	10	10
BDS recipients	Survey	80	79
	Focus group	3	2
Loan recipients	Survey	30	30
	Focus group	3	2
	Case study	5	5
Non-beneficiaries	Semi-structured	20	15

4.6 Evaluation Timeline

Evaluation Timeframe	Oct-14		Nov-14				Dec-14				Jan-15				Feb-15				Mar-15				Apr-15				May-15					Jun-15				Jul-15					Aug-15				Sept-15	
	w1	w2	w3	w4	w5	w6	w7	w8	w9	w10	w1	w2	w3	w4	w5	w6	w7	w4	w8	w9	w10	w11	w12	w13	w14	w15	w16	w17	w18	w19	w20	w21	w22	w23	w24	w25	w26	w27	w28	w29	w30	w31	w32	w33	w34	w35
Phase 1: Inception Period																																														
Review Project Documents																																														
Meetings with MCC and local stakeholders																																														
Inception Meeting																																														
Evaluation design preparation																																														
Draft Evaluation Design Report																																														
Final work plan and evaluation design report (D1)																																														
Evaluation Materials Preparation																																														
Draft Evaluation Material																																														
Final Evaluation Material (D2)																																														
Review Process/IRB approval																																														
Phase 2: Implementation Period																																														
Field Data collection																																														
Data cleaning, analysis and interpretation																																														
Evaluation Report Preparation																																														
Presentation of Draft Final Report and Findings to MCC																																														
Review MCC																																														
Draft Evaluation Report for local stakeholders review and related presentation to local stakeholders (D3)																																														
Phase 3: Review and DisseminationPeriod																																														
Review Process Local Stakeholders																																														
Local Stakeholder presentation																																														
Public Dissemination Efforts/Presentation																																														
Revised evaluation report, incorporating local stakeholders' comments for MCC review and approval (D4)																																														
Review MCC																																														
Final Approval evaluation report incorporating MCC comments (D5)																																														
Final Datasets and Metadata (D6)																																														

4.6.1 Justification for Proposed Exposure Period to Treatment

ARF activities started in mid-2011 with the signing of the agreement with RCPB, the first financial institution to participate in the program, and ended in mid-2013 with the early termination of the ARF component. However, the provision of BDS started only at the beginning of 2013. Therefore, the target beneficiaries have had the opportunity to access term financing for investment for about 2 years, while they could access BDS only for about 6 months.

Also, for those beneficiaries that received funding under the program, loan repayment is still ongoing until 2018. As a result, this evaluation will not be able to measure the ultimate performance of these loans. The project outcome will instead be estimated based on the specific project outputs and achievements made to this date.

5. IMPLEMENTATION SUMMARY

5.1 Roles and Responsibilities

The ARF Activity implementation involved the participation of several stakeholders with different roles and responsibilities. The RFF Procedures manual indicates the following responsibilities for each stakeholder[20]:

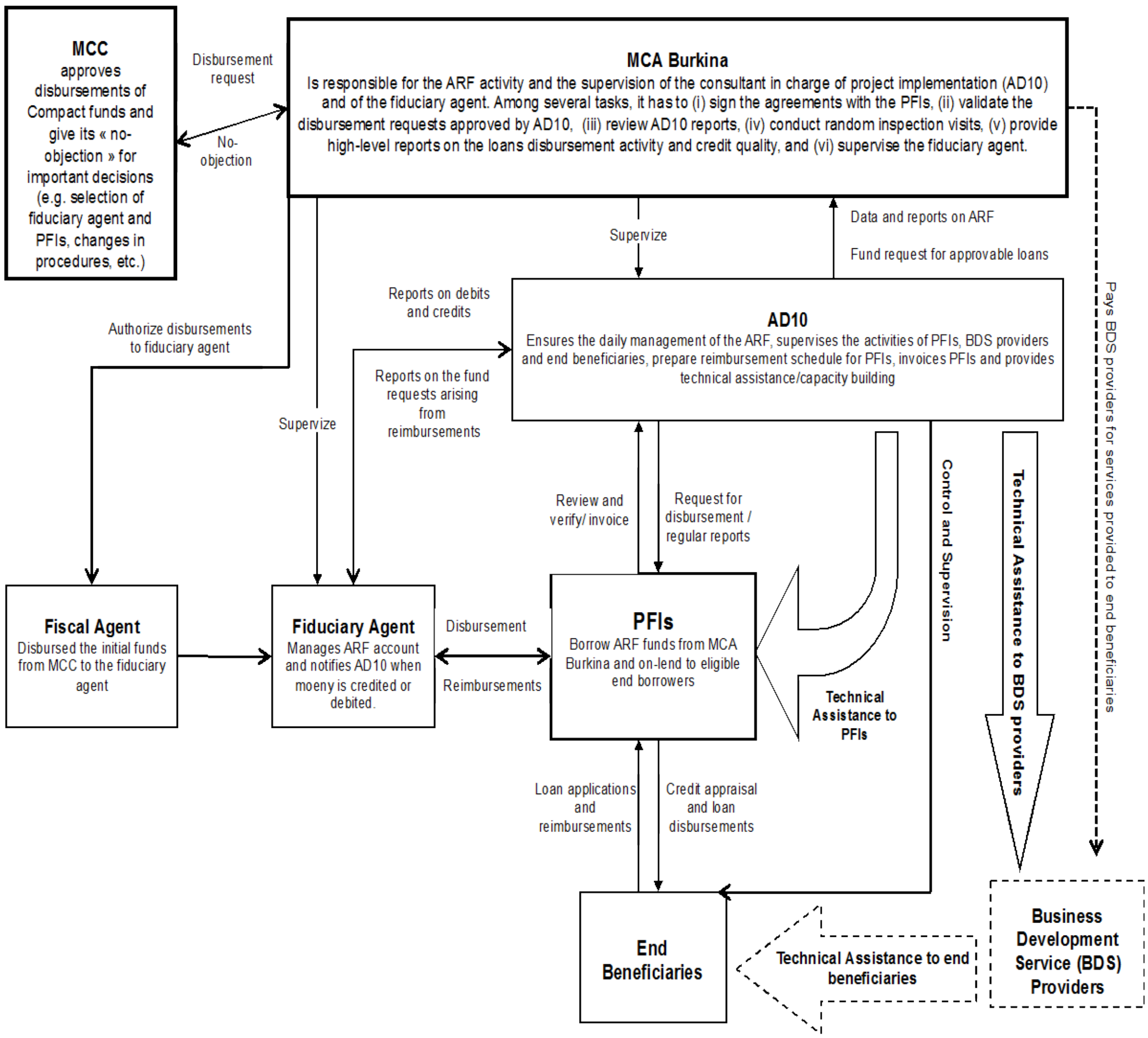
- The **MCC** provided funding on a quarterly basis based upon disbursement requests from MCA-BF-Burkina. MCC no-objection was required for: (i) the Operating Policies and Procedures for the RFF and any subsequent modifications thereto; (ii) selection of AD10, PFIs and other stakeholders involved; and (iii) the Operating Agreements with all stakeholders involved. Following the unauthorized disbursement, MCC was to approve each claim on RFF funds. Initially meant as a temporary solution, this additional step was kept for the entire duration of the ARF Activity due to difficulties with the environmental requirements.
- The **MCA-BF** was responsible for the overall administration of MCC funds, for the management of the contract and supervision of AD10 day-to-day administration, and for the management of PFIs contracts and approval of disbursement requests.
- **AD10** was hired to launch and manage the Rural Finance Facility (RFF) activity under the supervision of MCA-BF and to ensure proper transfer to a local successor institution at the end of the contract. Its responsibility covered the following activities: (i) launch and oversight of the RFF; (ii) PFIs capacity building; (iii) oversight and support of the selected BDS providers.
- **The Fiduciary Agent** (GFA Consulting) was responsible for the management of the MCA-BF/RFF Bank Account under the supervision and instruction of MCA-BF, and to submit disbursement requests to MCC according to the approved claims of the PFIs.
- **The Fiduciary Bank** (Ecobank) was in charge of keeping an account (MCA-BF/RFF Bank Account) to be used to receive MCC funds, to disburse the approved amounts to the PFIs and to receive the reimbursements from the PFIs. The Fiduciary Banks had to inform the Fiduciary Agent, MCA and AD10 of every transaction on the account and related transaction details.

The Ministry of Environment also played a major role in the development of the environmental forms.

Figure 5 summarizes the roles and responsibilities of all stakeholders involved in the implementation of the ARF activity.

[20] Source: Adapted from "*Mécanisme d'accès au financement rural du Millennium Challenge Account – Burkina Faso. Politiques et procédures relatives à l'administration du programme*". Version 3.1. 21st May 2012)

Figure 5: Stakeholders' roles and responsibilities



Source: Adapted from MCC/MCA-BF

5.2 Selection Process for Program Participants

Four main categories of stakeholders were selected/recruited under the ARF activity: (i) the external consultant (AD10); (ii) the Participating Financial Institutions (PFIs); (iii) the Business Development Services (BDS) providers; and (iv) the end beneficiaries.

i. AD10

AD10, the consortium AECOM-DesJardins, was selected on the basis of its qualifications in terms of: organizational capability and experience; approach, methodology and work plan; and key professional personnel qualifications for the assignment. Particularly important was also the ability to combine international and local expertise, and to create synergies among different activities.

ii. Participating Financial Institutions[21]

A call for proposal was published in the national newspapers and on the MCA-BF website inviting all Burkinabe financial institutions to submit proposals. After the publication, individual meetings and a group meeting were organized to provide further information on the project. No written requests for clarification were received.

The MCA-BF National Coordinator established an evaluation panel of 5 members, 3 representatives from MCA-BF and 2 representatives from AD-10. If requested, additional observers were admitted. The Procurement Department organized a debriefing session where it asked each panel member to sign a confidentiality and neutrality form. The proposals were then opened in the presence of the bidding banks. The panel evaluated the received proposals based on the eligibility criteria defined in the procedures manual.

Box 2: Eligibility criteria for financial institutions

Banks were selected to participate in the ARF on the basis of criteria based on BCEAO and Banking Commission prudential regulations and ratio requirements, including a minimum net worth of $2MM, and portfolio-at-risk lower than 20% of the total credit portfolio. Moreover, they must have the commitment and capacity to conduct rural lending in the selected regions, willingness to provide MCA-BF-Burkina and its agents with all relevant information, to participate in rural and agricultural credit training and to comply in all respects with environmental guidelines to be stipulated. As non-banks financial institutions, such as leasing companies and micro-finance institutions, are less tightly regulated, they must demonstrate their sustainability through a sound financial condition, profitable operations, and acceptable credit underwriting and management systems.

Source: Adapted from "Mécanisme d'accès au financement rural du Millennium Challenge Account – Burkina Faso. Politiques et procédures relatives à l'administration du programme". Version 3.1. 21st May 2012

During the evaluation, the panel met three times. The panel asked the banks for additional information in written form. With the complete information, each panel member filled an evaluation form for each bank. During the last meeting, the panel members compared and discussed their evaluations and selected the participating institution.

[21] Source: AD10 "*Rapport d'Evaluation des Institutions Financières Participantes au Mécanisme d'Accès au Financement Rural*". January 2012.

iii. BDS Providers[22]

A call for proposal was published in the national newspapers and on the MCA-BF website inviting all Burkinabe BDS providers to submit proposals. After the publication, MCA-BF and AD10 held meetings in Ouagadougou and in the intervention areas to provide further information on the project. As a result of these meetings, the project management team decided to change the terms of reference and a new call for proposals was published. The bidding BDS providers had the opportunity to request clarifications. 55 proposals were submitted.

The MCA-BF National Coordinator established an evaluation panel of 4 members, 2 representatives from MCA-BF and 2 representatives from AD-10. In addition, 4 observers were admitted. The Procurement Department organized a debriefing session in which it asked each panel member to sign a confidentiality and neutrality form. The proposals were then opened in the presence of the bidding companies.

Box 3: Eligibility criteria for BDS providers

Business Services Providers were selected upon satisfaction of a set of criteria. As compulsory criteria, BDS must be recognized as a company, association or cooperative offering non-financial services to rural sector related enterprises and must be able to provide their services to eligible enterprises in order to improve the enterprises' access to financing in the targeted regions. Further criteria were established to facilitate the selection. Specifically: financial and administrative organization; necessary transportation and bureaucratic tools; experienced professional resources on a regular basis; previous experience in activities such as support, strengthening, consulting, technological or scientific services, and financial intermediary for agro-businesses.

Source: Adapted from "Fonds d'appui aux entreprises rurales: Politiques et procédures relatives à l'administration du programme". Version 2.1. 18th September 2012

During the evaluation, the panel met three times. When necessary, the panel asked the bidders for additional information in written form. With the complete information, each panel member filled an evaluation form for each bidder. During the last meeting, the panel members compared and discussed their evaluations and agreed to retain 33 BDS providers.

iv. End-beneficiaries

End-beneficiaries can be divided in two categories: BDS recipients and Loan recipients. The ARF Activity defined general eligibility criteria, i.e. farmers, farmers group and agro-businesses (to include cooperatives, associations, etc.) engaged in agriculture and agricultural-related activities within the intervention area as well as businesses which may not be located within the regions, but which serve the agricultural value chains within the regions. As long as these criteria were respected, BDS providers and PFIs could independently select the end-beneficiaries.

[22] Source: AD10 Livrable N. P5-F (33-F). Report on BDS Providers selection. September 2012.

5.3 Highlights of Project Implementation Process

AD10, the AECOM – DesJardins Consortium, was selected as external consultant at the beginning of the Compact period under a six-month base period contract for refining the strategy, followed by an option period contract for implementation of the strategy. The Consortium was selected based on its qualifications, but also based on the potential synergies that it could bring between the Diversified Agriculture and the Access to Rural Finance Activities of the Agricultural Development Project. The technical support for the implementation of these two activities was, therefore, consolidated in one unique contract awarded to AD10.

The first approved version of the RFF procedures manual was approved after several months of delay. At the end of 2009, there was a change in the MCC ARF Lead, and the new lead worked together with AD10 to finalize the RFF procedures manual. Due to concerns arising from the experience with the Ghana compact credit program that was ending at that time, MCC, MCA-BF and AD10 worked together to review the manual, stressing the importance of PFIs' financial soundness and emphasizing that PFIs must repay their loans to MCA independently from end-borrowers repayments. It was also decided to revise the management structure of the RFF, giving day-to-day administrative responsibility to AD10, and restricting the role of the Fiduciary Bank simply to that of a dedicated deposit account for the RFF. Disbursement procedures were revised and more control was given to MCC. The revision process lasted about six months and caused the extension of AD10's base period. MCC granted its non-objection to the manual in August 2010.

> *The priority was to reduce risks for MCC. Procedures foresaw a very long approval process.*
>
> *- MCC Representative -*

The first call for applications for PFIs was launched only in September 2010. Despite the consultation and dissemination activities carried out to involve Burkinabe financial institutions, only RCPB applied. However, all activities managed under the AD10 contract, including ARF, were suspended until June 2011, as MCA-BF and AD10, in collaboration with MCC, entered into a protracted period of renegotiation of the terms of reference for the option period contract. Only once the AD10 option period contract was signed, MCA-BF was able to sign the loan agreement with RCPB. At the end of 2011, AD10 trained 65 staff members of RCPB.

In the first year RCPB disbursed only 5 loans due to several factors. RCPB did not clearly understand that the money was not going to be deposited in their accounts and that they would have had, therefore, to advance the money for disbursement. The other PFIs faced the same problem later on. In addition, the on-lending amount and loan maturity were not well designed for RCPB's target market, which requires lower amounts and longer maturities. Administrative procedures, in particular environmental requirements, were also very cumbersome and unclear to loan officers who, in turn, did not promote the product as much as they could have.

Box 4: Environmental Requirements

The attention paid to environmental standards is one of the most laudable aspects of the project. However, compliance with environmental requirements seems to have been also one of the main reasons for implementation difficulties. Environmental requirements contributed to increased awareness of all stakeholders who indicated the environmental aspect as one of the successful factors of the project. At the same time, difficulties in complying with the requirements resulted in implementation delays due to multiple rounds of revision and MCC's delayed approval of each RFF disbursement request. The interviewed stakeholders provided conflicting information on whether training on this aspect was provided or not. The evaluation was able to ascertain that none of the interviewed stakeholders had a solid understanding of which environmental documents were required for which size and type of business. This resulted in an excessive burden for small loans to farmers and small producers. Some PFIs decided to fulfil the environmental requirements at the central level. Other PFIs highlighted that it took quite some time to understand the requirements and correctly integrate them into the fieldwork. At the same time, the vast majority of BDS providers were not helping their clients in fulfilling the requirements.

The first disbursement was considered unauthorized and triggered a new round of revisions of the RFF manual. In October 2011, a first disbursement of $500,000 was done from MCC to the MCA-BF RFF account. However, it was considered an unauthorized disbursement since MCA-BF had not yet received any underlying documents for end-borrowers' loan requests from the PFIs, as required by the RFF procedures manual. MCC obligated MCA-BF to reimburse those funds, with interest. As a result, MCC, MCA-BF, and AD10 worked together on the revision of the RFF procedures manual to make the procedures clearer for all users. This process ended up taking several months, as MCA-BF needed to better define its internal approval procedures, and the Environmental and Social Performance (ESP) team, under a new MCC ESP Lead, made several revisions to the RFF environmental procedures and forms. This initial unauthorized disbursement, and the chain of revisions which it set off, delayed RFF activities by about six months.

A second call for proposals for PFIs was launched in the summer of 2011, but contracts could be signed only after the final approval of RFF procedures. Two new PFIs, Coris Bank International and Banque Atlantique were selected, but MCA-BF delayed signing loan agreements, waiting for the revised procedures manual to be finalized. Furthermore, the approval of a loan lower than the initially defined $2,000 minimum loan amount set up the basis for abandoning this requirement. The final version of the RFF procedures was approved by MCC in May 2012. As a result, no RFF disbursements to PFIs were made until 2012, and only in the last half of the year could the RFF be considered fully operational, with three PFIs having signed loan agreements, and the revised RFF Procedures Manual in place. However, delays characterized also the entire disbursement period.

The BDS sub-activity was supposed to start before the RFF to provide the necessary support, but BDS providers were selected at the beginning of 2012. Due to the cumulative delays, MCA-BF was under pressure to disburse loan. Therefore, it gave priority to the financial component over the non-financial component. The BDS sub-activity was supposed to be implemented by a BDS network, but the ARF Lead at MCA argued that in order to develop more local capacity in the target zone, it would be better to allow local consultants to participate. In addition, it was now necessary to select a larger number of providers to achieve the targets. As a result, the MCC and MCA-BF worked with AD10 to design the selection criteria, and a call for applications from BDS providers was launched in the first quarter of 2012. 33 providers were selected.

We should have started from the BDS sub-activity but we were under pressure to disburse. There were also delays in deciding how the BDS component was to be implemented.

- MCA-BF Representative -

A large number of BDS providers was necessary to achieve the results in a limited time.

- AD10 Representative -

It was determined that MCA-BF did not have the necessary staff to handle the daily management of the BDS sub-activity, which was assigned to AD10. The selection of 33 providers entailed a large number of service contracts and payments well above MCA-BF human resources capacity. So the AD10 contract was revised again to add this administrative responsibility (i.e. training of BDS providers, review and approval of the results of their services, etc.). Due to the expected large number of small payments, it was also decided that the consultant would be given advances to pay the BDS providers directly. The related procedures amendment took several months and the final version was approved in September 2012.

BDS providers received training by AD10 and began to recruit potential beneficiaries only at the end of 2012. According to the interviewed BDS providers, no clear information was available on the targets for client recruitment. They reached out to hundreds of potential clients, but the sheer amount was difficult to handle from the MCA-BF perspective. MCA-BF and AD10, therefore, asked the providers to select the most promising 36 clients to be included in action plans. Soon after, they received the notice to proceed in waves of 12 clients. Before the end of the first wave, the ARF activity was terminated.

Several factors led to the termination of the ARF activity one year before the original timeframe. All the ARF sub-activities only became fully operational about two and a half years later than was initially planned. Therefore, as an MCC representative pointed out, the achievement of the targets became unlikely. In addition, cost efficiency of the project was questioned. Based on the assessment of the ADP Project Management Consultant (PMC), administrative expenses were substantially higher than expected compared to expenses for loan disbursements and business development services (i.e. AD10 cost $1.68 per each $1 disbursed). At the same time, the RFF disbursement rate was very low at 1.4% of the initial budget at the end of 2012.[23] As a result, a substantial part of the ARF budget was reallocated. Additionally, the imminent end of the AD10 mandate, set for the end of June 2013, and the lack of an adequate successor strongly contributed to the decision to terminate the activity.

According to the Note on Potential Winding Down of the ARF Component prepared by the MCC ARF Lead[24], extending AD10's mandate or hiring another consultant to manage ARF internally at MCA-BF level would have required additional costs and resources from the MCA-BF project team, which were not justified given the limited results achieved. On July 9, 2013, MCC notified the Government of Burkina Faso that the RFF was to cease disbursing loans to PFIs by September 30, 2013, and BDS providers were informed that no further contracts for services to end borrowers were to be signed, and that only bills against existing contracts for services provided before September 30, 2013, would be paid.

A successor agency was supposed to be selected one year before the end of AD10 contract to be trained to manage the activity. However, a successor was identified only at the very end. So, there was no time for adequate training and it was not sustainable and viable to manage the money without assistance.

- MCC Representative -

5.4 Projected and Actual Costs of Implementation

The budget experienced several revisions over the course of project's implementation. The ARF Activity had an initial total budget of $14 million of which about $10 million were assigned to the RFF component. A first revision took place in October 2012, when the RFF fund was lowered to $9.1 million, while the AD10 contract was revaluated to $3.5 million and the BDS fund to $1.3 million. The most significant revision was decided in April 2013, when $3 million initially assigned to the RFF fund were reallocated to other ADP components and the total RFF budget was reduced to $6 million. The primary objective was to make funds available for the Di optional tranche under the Irrigation and Water Management Component of the Agricultural Development Project. A final and last revision reduced the RFF budget from $6 million to $5 million in order to make more funds available for the Di optional tranche, keeping unchanged the other ARF components' expenses. The reason for removing a total of $4 million from the Access to Rural Finance Activity was that the delayed start of implementation and the following underperformance made it extremely unlikely that the entire $10 million of the Rural Finance Facility loan fund would be used.

[23] MCA-BF representatives also pointed out that other ADP activities were able to successfully and productively use the extra budget (e.g. additional water management infrastructure at Sourou Valley – Di area).

[24] Source: "Note on Potential Winding Down of the Access to Rural Finance Component of the Burkina Faso Agricultural Development Project" Prepared by Stephanie Gober. May 13, 2013.

Table 5: Summary of ARF Budget revisions

Component	Initial ARF Budget		ARF Budget (Oct 2012)		ARF Budget (Apr 2013)		ARF Budget (May 2013)	
	Amount	%	Amount	%	Amount	%	Amount	%
AD10 Contract	3.0	21.4 %	3.5	25%	3.5	32 %	3.5	36 %
RFF Loan Fund	10.0	71.4 %	9.1	65.5 %	6.0	56 %	5.0	51 %
BDS Fund	1.0	7.2 %	1.3	9.5 %	1.3	12 %	1.3	13 %
Total	14.0	100 %	13.9	100 %	10.8	100 %	9.8	100 %

Source: adapted from *"Note on Potential Winding Down of the Access to Rural Finance Component of the Burkina Faso Agricultural Development Project". Amounts indicated in $US million*

While the tables above illustrate the amounts made available for the different ARF components, actual disbursements were even lower. When the ARF activity was terminated, disbursed loans from the RFF lending fund amounted to $2,791,071 and disbursed BDS subsidy funds amounted to $233,710.

Table 6: RFF loans disbursement

IFP	Line of Credit (FCFA)	Disbursed loans (FCFA)	Line of Credit $US	Disbursed loans $US
RCPB	1,000,000,000	285,340,500	2,000,000	570,681
CBI	1,000,000,000	731,970,000	2,000,000	1,463,940
BABF	1,000,000,000	378,225,000	2,000,000	756,450
Total amount	3,000,000,000	**1,395,535,500**	6,000,000	**2,791,071**

Note: FCFA/$US 500. The differences in final amounts disburse are explained by different exchange rates.

5.5 MONITORING TARGETS

ARF targets were initially defined based on the information collected during the due diligence and were adjusted several times following implementation progress. At the due diligence stage, the average loan amount was estimated at $10,000 and the volume of unmet demand for finance was estimated mainly based on calculation of the *Maison de l'Entreprise*.[25] In addition, PFIs were asked to estimate their potential disbursement capacity under the project. Based on these estimates, the RFF M&E Document set the expected outputs as follows:

- The annual RFF loan demand by PFIs would begin at $1 million in year one (about 100 loans), peaking at $4.5 million in year five.
- At least 5 financial institutions would have significantly increased their rural credit portfolios (not less than $50 million in total), would have the skills and systems in place, and would have invested the resources and capital necessary to serve this market.
- At least 80 credit officers in PFIs would have completed a formal training

[25] Source: Goeber, S. "*The Evolution of the Burkina Faso Access to Rural Finance Activity*". July 2013

program covering rural and agricultural lending.

- At least 2,000 potential borrowers in targeted areas and within targeted value chains would have received BDS support and 30 BDS providers would have been trained and certified

At the end of the ARF Activity, PFIs had approved and disbursed $2.8 million of agricultural and rural loans, which represents 56% of the final target. 68 loans were disbursed to 96 borrowers (individuals or associations). Conflicting information was provided on the number of people receiving business development services from AD10 or BDS providers. While the Indicator Tracking Table (ITT) indicated that 283 people received BDS, the support documentation provided only contained information in relation to 170 beneficiaries. In addition, the documentation as well as stakeholders' interviews seem to suggest that only two BDS beneficiaries also received a loan under the ARF Activity.

Table 7: M&E indicators and targets as originally defined

Loan Targets	Measure	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Total
Total number of loans from RFF	#	100	160	240	350	450	1,300
Total value of loans provided by the RFF	$US (million)	1	1.6	2.4	3.5	4.5	13.0
Increases in revenues of borrowers % (inflation adjusted and cumulative)	%	5%	10%	15%	20%	25%	0
Number of agribusinesses receiving loans	#	0	175	200	275	350	1,000
PFI Capacity Building Targets	**Measure**	**Yr 1**	**Yr 2**	**Yr 3**	**Yr 4**	**Yr 5**	**Total**
Number of trained Credit Officers	#	45	30				75
Percent of certified Credit Officers	#	35	25				60
BDS/Entrepreneurship Targets	**Measure**	**Yr 1**	**Yr 2**	**Yr 3**	**Yr 4**	**Yr 5**	**Total**
Number of BDS Providers trained	#	10	30	0	0	0	40
Number of agriculture-related businesses receiving BDS	#	100	250	400	550	700	2,000
Number of Entrepreneurship Graduates per year	#		80	80			

Sources: RFF M&E Document; Adapted from MCC/MCA-BF.

Table 8: Indicator Tracking Table (ITT) Outcomes vs Evaluation Results Outcomes

Indicator	Unit	Y1	Y2	Y3	Y4	Y5	Actual (ITT record) Sept 2014	As per Evaluation Results	Target	% Completed
Value of agricultural and rural loans	$US MM	0	0	0.02	1.3	2.8	**2,802**	2,802	5	56%
Loan borrowers	N	0	0	6	74	96	**96**	68 loans 96 borrowers	120	80%
Firms and farmer groups trained in credit	N	0	0	0	199	199	**199**	**200**	**160**	**124%**
RFF borrowers' reinforced capacity in preparing loan application files	N	0	0	0	283	283	**283**	**170**	**750**	**23%**
No. of borrowers who accessed credits after receiving BDS support	N				74	96	**96**	**2**	**100**	**2%**

Sources: ITT; Adapted from MCC/MCA-BF.

6. FINDINGS

6.1 OVERVIEW BY EVALUATION DIMENSION

6.1.1 Project Design

The Project Design responded to the need for investment capital identified during the due diligence with an innovative approach. As a number of MCA-BF representatives pointed out, agricultural finance is quite limited in Burkina Faso. In fact, the *Recensement Général de l'Agriculture* (General Census of Agriculture), conducted by the Ministry of Agriculture in 2008, indicated that only 2.1% of the agricultural population of Burkina Faso had access to credit, usually in the form of agricultural inputs (61.3%). It also pointed out that only 1.7% of households received funding for investment purposes, usually by the equipment providers. The lack of long-term financial resources was among the main constraints to access formal finance. The ARF, therefore, tackled this issue through the RFF while trying to change the financial sector's perception of agriculture with an innovative combination of financial and non-financial services. The attention paid to environmental standards is another novelty introduced by the project in the Burkina Faso context. However, several areas of improvement can be identified.

There was a fundamental misalignment between the terms of MCC funding, the selection of PFIs and the broad definition of the program target group. The main end-beneficiaries were farmers, farmer groups and cooperative, and agro-businesses. Such a target group includes actors engaged in different crops and types of activities, i.e. production, transformation and commercialization, who have different financial needs and constraints to be addressed. At the same time, the selected PFIs were mostly commercial banks that work only with a subset of the target group. In the case of RCPB, the only selected microfinance institution, the designed maturity and amount conditions were not very suitable: amounts were too high and maturity too long. In fact, RCPB asked for the minimum amount condition to be removed.

> *PFIs would finance any amounts, even FCFA 100 million, but they would claim a portion of the disbursed loan (i.e. only the maximum amount allowed under the project).*
>
> *- MCA-BF Representative -*
>
> *We are one of the banks with the largest branch network in the intervention area, but we were a small bank and we did not respect the profitability requirements*
>
> *- Non-PFI Representative -*

Incentives designed for PFIs proved insufficient. The concessional rate of 3% was only slightly below market rates and did not compensate for the administrative burden the PFIs had to bear due to the fact that money was not kept in the bank and immediately available. The amount allocated to each PFI ($2 million) was also too small to act as strong incentive for the banks. The funds were transferred at the end of the approval procedure with long delays and obliged the bank to pre-finance the loan with its own funds, defeating the purpose of providing a credit line of medium-term liquidity. PFIs, also, did not fully understand that they would have had to advance the money until MCC declared the first disbursement incompliant. Furthermore, the Challenge Fund was never applied due to delays in the implementation that did not allow for achieving the required performance level.

Capacity building was insufficient to alter PFI's loan appraisal criteria. On the one hand, the decision not to include any risk-sharing mechanism to incentivize PFIs left MCA-BF without strong leverage to influence the loan appraisal criteria. On the other hand, the capacity building sub-activity did not extend to the operational level required to affect the loan underwriting approach of PFIs. Banks, therefore, assessed ARF loan applications as regular loans, with the result that collateral requirements prevented many applicants from obtaining a loan, as they would have without the project. In fact, those end beneficiaries who received a loan would most likely have had access to bank finance even without the project, as an interviewed loan officer also declared. They met the usual loan requirements, and only two loan beneficiaries seem to have received business development services under the project. PFIs claimed that a much better approach would have been to incorporate a risk sharing mechanism to the design of the project.

> *[Risk] was supposed to be mitigated by the capacity building. However, the extent of the training was substantially reduced compared to original design (e.g. loans approved based on contracts with buyers within the value chain, but no training was provided on this type of loan).*
>
> *- MCA-BF Representative –*
>
> *The project did not help much since we continued to apply the same old credit policies.*
>
> *- PFIs' field staff -*

Potential synergies between Compact components were not adequately exploited. Several stakeholders recognized that the design of the entire Compact was innovative, with all components building on one another. However, synergies between components could have been strengthened. From a geographical perspective, the ARF sub-activities covered a broader area than the other Agriculture Development Project activities, which focused only on the Sourou Valley and the Comoé Bassin. At the same time, the other components would take time to show results in terms of more secured and increased production and income. Therefore, the benefits expected from other Compact projects and activities (e.g. improved irrigation, better roads and access to market, property rights, etc.) in terms of improved risk profiles as per program logic did not materialize in the implementation.

> *Fatal flaw in the design: irrigation takes time, so the interest [of PFIs in agriculture] is delayed*
>
> *- MCC Representative -*
>
> *Ag Synergies were very limited. We tried to build as many synergies as possible but projects were so different in terms of geographical coverage and objectives. This was a misconception of the project.*
>
> *- AD10 Representative -*

6.1.2 Project Implementation

All the interviewed stakeholders involved in the ARF activity agreed that the administrative set-up was cumbersome and became a significant constraint to project implementation. The involvement of a high number of stakeholders in every decision and process and several layers of authorization were already included at the design stage. The initial unauthorized disbursement, however, caused an increase in the level of controls requested by MCC. From that moment on, MCC approval was necessary for each transaction of the RFF, no matter the size of the loans. This was meant as a temporary arrangement, but persistent issues with the application of the environmental requirements made this additional level of control permanent. In addition, at the beginning there was no informal review process and all documents went directly to MCC for final approval, which triggered complex procedures involving several staff within MCC itself. Only at a later stage a preliminary review step by MCC direct counterparts of MCA-BF (e.g. MCC ARF Lead) was introduced and it helped reduce the rounds of revision required for each document and speed up the process.

Decision making process showed mistrust towards everybody. It took almost a year to get an opinion, to get everybody comfortable. Continuous ping-pong between everybody and excessive consultation characterized the project.

- AD10 Representative -

Centralized decision-making and frequent staff turnover affected the efficiency and ownership of the project. The process centralization brought a sense of mistrust and reduced the ownership without increasing efficiency, since many stakeholders still needed to be consulted. MCA-BF had ultimately limited decision-making power while it was overburdened with administrative procedures. Because of this, MCA-BF staff felt little ownership and sense of responsibility. Several other stakeholders also perceived the centralization of the decision process as a sign of mistrust. In addition, frequent staff turnover, especially at MCC level, led to repeated and time-consuming revisions of procedures. Each new project manager applied a different approach (i.e. more or less hands-on) that required adjustments of the current practices. Staff turnover, therefore, negatively impacted the ability to implement.

The combined procurement process for the Access to Rural Finance and Diversified Agriculture activities in one single AD10 contract created several issues. On one side, it seems that AD10 gave priority to the contract negotiation for the larger activity, Diversified Agriculture, which led to delays in the ARF implementation. On the other side, the management of AD10's contract proved to be very complex and would have required more resources for its management. Based on the lessons learned in previous Compacts, which pointed out the risk of stretched capabilities for contract management, project management functions for the different sub-activities were merged in one "single-implementer" contract, which was supposed to be easier to manage. However, the contract apparently became too big to be managed with the limited MCA-BF resources. Only two staff members had an understanding of rural finance and were assigned to the management of the ARF activity and thereby to the management of the AD10

[ARF was] a very small activity within the Compact and by MCC standards, so limited capacity on this activity.

- MCC Representative -

We underestimated the scope of the activities to be monitored and followed up.

- MCA-BF Representative-

We spent the first 2 years trying to understand what was supposed to be done (activities and deliverables). In addition, there was a delay of 8 months because Agricultural Finance had to wait for the general agricultural contract to be signed.

- MCC Representative -

Implementation should be simplified. Hundreds of deliverables! It was unmanageable.

- AD10 Representative -

contract. The ARF manager left right before implementation became fully operational and was not replaced. Hence, MCA-BF had to rely extensively on the external consultant without having enough capacity in place to properly check the quality of their work.

Cumbersome administrative procedures, lengthy consultation processes and centralized decisions resulted in considerable delays that substantially affected project results. A number of the issues identified in the 2012 mid-term evaluation were, in fact, still prevalent at the end of the ARF activity.[26] As mentioned above, ARF was fully operational only at the beginning of 2013 with a delay of more than two years on the planned timeline. As interviewed stakeholders pointed out, delays in the set-up phase (i.e. definition of contracts, policies and procedures, selection of participating organizations, negotiation of AD10 contract, etc.) reduced the time available for actual activities, but targets initially remained the same. The time dedicated to activities was also characterized by long delays mainly due to difficulties with the environmental requirements. Stakeholders indicated that the timeframe for approval varied from one day to two months. On average it took 10 days to receive approval, about double what it was supposed to take.

Difficulties with the environmental requirements exacerbated the administrative burden and implementation delays. Interviewees report that MCC and MCA-BF engaged in long discussions on "acceptable" level of environmental requirements given the prevailing regulatory framework in Burkina Faso and MCC guidelines. The discussion also was reopened several times due to changes in MCC ESP Lead. Clear communication between environmental teams on procedures and supporting documentation to be provided for each loan seemed to be lacking. Therefore, MCC had the feeling that MCA-BF, on one side, perceived environmental requirements as formalities and, on the other side, did not properly explain to PFIs what was expected from them. Plant oil factories were particularly challenging due to their potential environmental impact. Approval of loans to oil factories took two to three months. AD10's Project Manager pointed out that about 80% of PFIs' claims were related to oil factories. Most of these requests were for modernization of equipment, which likely would have reduced their environmental impact. However, interviewed stakeholders agreed in identifying the increased awareness on environmental aspects as one of the main success factors of the project.

At the beginning, no training was provided [on environmental requirements], so it seemed very difficult to implement. 3 people changed on MCC side concerning this aspect. The training was provided too late and there have been too many changes.

- MCA-BF Representative-

Communication on the environmental requirements was sent only at a later stage, after the first disbursement request was rejected. .

- PFI's field staff –

[26] The results of the mid-term evaluation conducted by SOFRECO, in August 2012, identified the following issues: (1) deferred AD10 recruitment process; (2) slow validation procedures; (3) deferred PFIs selection; (4) lack of account of financial sector potentiality; (4) failure to implement a "value chain" approach with other ADP components; (5) high level of defaulted loans in the Sourou region.

A more effective internal and external communication would have made a difference. Interviewees pointed out that there was an open line of communication between all project stakeholders and that meetings were held regularly. The first unauthorized disbursement, though, was apparently the result of a misunderstanding on the project design, also due to stakeholders' past experiences with similar projects. Environmental requirements were also not clearly communicated upfront. This created issues throughout the life of the project and substantially affected its efficiency and results. At the same time, external communication to the potential beneficiaries was missing. Therefore, nobody in the field had a clear idea of the project design and requirements to access the funding. Several stakeholders suggested that a centralized communication campaign should have been conducted by MCA-BF to avoid potential misunderstandings on the products and manipulations of the project.

Continuous communication, but people could not understand each other

- MCA-BF Representative –

At the beginning the people thought that they did not have to reimburse the MCA loan. This slowed us down.

- PFI's field staff -

We had to reject many applications since the politicians encouraged people to go take the money of the government at the cash desk.

- PFI's field staff -

The limited staff available to manage ARF could not provide adequate quality control and on-site implementation follow up, especially on the BDS sub-activity. Too little emphasis was placed on the quality of BDS services. Many PFIs complained about the poor quality of the loan applications and unrealistic business plans received by BDS providers. The incentives for BDS providers were insufficient. For example, BDS providers were compensated based on the number of the documents submitted and not on the number of loans approved. The management and supervision of the BDS sub-activity was completed delegated to AD10 without proper oversight by MCA-BF. In addition, the few MCA-BF staff members available for monitoring were all based in Ouagadougou, which made the oversight of activities in the field even more cumbersome. MCA-BF became aware of the situation in the field after a certain delay, and the time remaining before the ARF termination was insufficient to improve the quality of business development services for them to be of real support to the financial component.

Several episodes of misconduct in the field affected the project reputation and raised concerns in terms of consumer protection. According to the interviewed clients, BDS providers at times introduced themselves as AD10/MCA representatives, or they allegedly asked for money before providing the service. People apparently paid between 25,000 CFA and 300,000 CFA to receive support with the promise to obtain a loan. However, some services were not provided or the quality of the services was not adequate. Besides the considerable reputational damage to the project and repayment issues to the PFIs, such a misconduct ultimately undermined the trust of end-borrowers in the project and reduced their potential access to finance since PFIs became even more cautious and kept high interest rates despite the concessional rate. Given the abovementioned limited oversight capacity onsite, MCA-BF reacted with a certain delay to this type of unfair, deceptive and fraudulent practices.

According to our analysis, the submitted applications did not respond to our credit policies. The business plans were far from representing the field reality. The BDS providers were only trying to make some money.

- PFI's field staff -

The tools provided were adequate, but we do not know if banks are using them.

- AD10 Representative -

In practice the coordination was not well done. For example, the BDS providers should have attended the training with us to better understand our policies when they prepared the loan applications.

- PFI's field staff -

Conflicting information was provided on the quality and effectiveness of the capacity building provided. Several PFIs' staff members greatly appreciated the training provided and stated that the tools provided have been integrated in their daily work. However, others stated that the training was time consuming, too theoretical and lacked follow-up and refreshers. Also, no incentives for participation were provided. The BDS providers interviewed conveyed similar opinions. Both sides stressed the necessity of joint training sessions to improve the coordination and the quality of the applications. Conflicting information was also provided on the training to the end beneficiaries. On the one side, BDS providers' representatives declared that they did not provide training to the beneficiaries since they did not have enough time and AD10 asked them to prioritize the preparation of loan applications. On the other side, end beneficiaries in the field reported that they had, in fact, received training.

M&E was not properly integrated into the activity. ARF indicators were not properly tailored to the project design and tracked over the implementation period. An adequate reporting structure was missing and the management information system seems fragmented and inconsistent. As already mentioned, the evidence provided is limited and does not match with the reported results. In addition, several data quality issues were detected such as people considered non-beneficiaries that actually received business development services under the program. The limited integration of M&E functions was compounded by a lack of dedicated staff and subject-matter expertise. Only one staff at the M&E department was dedicated to the entire Agricultural Development Project. No rural finance specialist at the MCA-BF level was involved in M&E. Frequent turnover of the MCC staff involved in the ARF activity also negatively affected the M&E function.

6.1.3 The Perspective of End-Beneficiaries

6.1.3.1 Overview of Loan Beneficiaries

The analysis of the loan portfolio shows a concentration in large amounts. Under the ARF activity, 68 loans were disbursed to 96 borrowers[27] for a total of $US 2.8 million. 44% of loans were between $US 0 - $US 20,000, and 32.4% of the loans were larger than $US 80,000. However, the loans in the smaller category represented only 7.4% of the portfolio, whereas the largest loans represented 70% of the portfolio. The average interest rate was 18.15% and varied between 20.2% for smaller loans and 15.5% for larger loans. In addition, 63% of the largest loans went to businesses related agricultural transformation (i.e. oil production), whereas 80% of the smallest loans went to businesses in the agricultural production.

Table 9: Breakdown of number of disbursed loans, average amount and average interest rate by amount range

Amount range (*FCFA billion/ $US 000*)	N. Loans	Share of Loans	Average Amount	Total Amount	Share of Portfolio	Average Interest Rate
FCFA 0 -10 $US 0 - 20	30	44.1%	FCFA 3.5 $US 6.9	FCFA 103.9 $US 207.9	7.4%	20.27%
FCFA 10 - 20 $US 20 – 40	9	13.2%	FCFA 14.5 $US 29.1	FCFA 130.8 $US 261.6	9.4%	18.25%
FCFA 20 - 30 $US 40 – 60	5	7.4%	FCFA 24.3 $US 48.7	FCFA 121.7 $US 243.4	8.7%	15.91%
FCFA 30 - 40 $US 60 – 80	2	2.9%	FCFA 31.9 $US 63.9	FCFA 63.9 $US 127.8	4.6%	17.57%
FCFA +40 $US +80	22	32.4%	FCFA 44.3 $US88.6	FCFA 975.2 $US 1,950.3	69.9%	15.55%
Total	68	100.0%	FCFA 20.5 $US 41.0	FCFA 1,395.5 $US 2,791.0	100.0%	18.15%

Source: Elaboration on the provided databases (*Base de données EF_Nov 2013_02_17_2015* and *Liste des demandes d'encaissement de la FFR_Novembre 2013*) - *Note: FCFA/$US 500*

6.1.3.2 Survey Sample

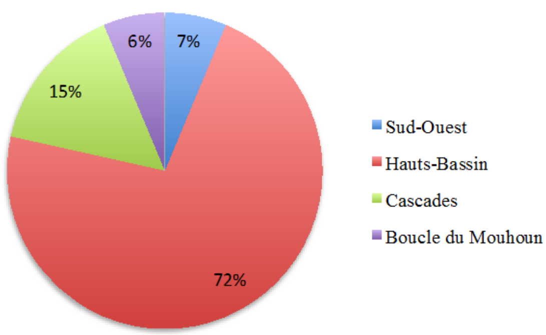
A survey of 79 end beneficiaries, including loan and BDS recipients, was conducted to capture their experience with the project. Given the poor quality of data observed, the survey questionnaire included questions on business development services as well as loans to crosscheck database information (e.g. to account for loan recipients who might have received BDS but who are not in the database, and vice versa). Therefore, each final beneficiary replied to all the questions that were relevant to him/her.

Of the interviewed beneficiaries, 57 live in Hauts-Bassins, 12 in Cascades, 5 in Sud-Ouest and 5 in Boucle du Mouhoun. Nonetheless, only a slight majority (53%) operates in the same region where they live. The vast majority of respondents are male (91%) and over 35 years old (91%). The business sectors most represented are: "raising

[27] The difference is due to two loans granted to groups of 17 and 11 members respectively.

livestock/other animal products" (37%) and "agricultural production of non-cash crop" (27%). The majority of activities (63%) are well-established farms/enterprises, in operation for more than 10 years. In terms of managing capacity, only 25% of enterprises have a business plan, which is done on an annual basis in the majority of cases (60%). Financial statements are produced regularly by 48% of respondents. A large majority of respondents are familiar with financial institutions: 94% have a bank account, half of which opened the account more than 10 years ago.

Chart 1: Breakdown of final beneficiaries sample (including loan and BDS recipients) by region and number of years in business



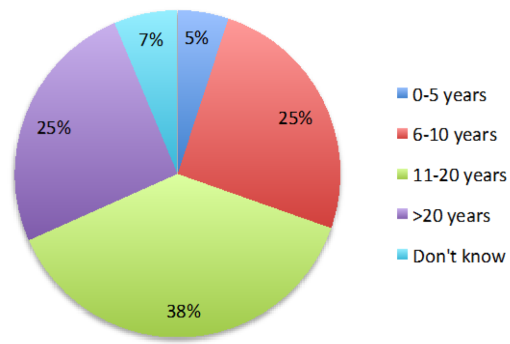
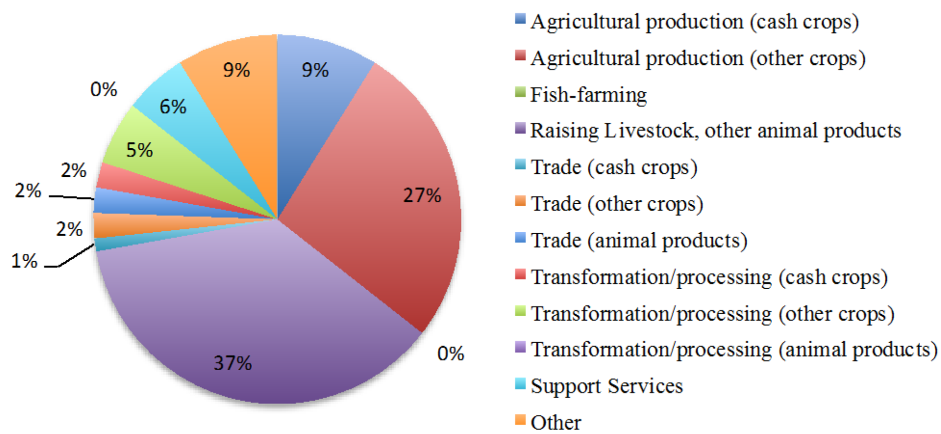


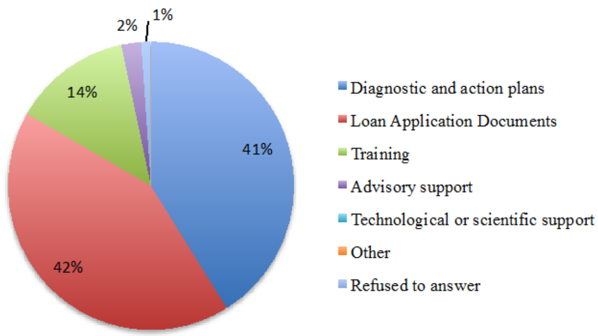
Chart 2: Breakdown of final beneficiaries sample (including loan and BDS recipients) by business sector

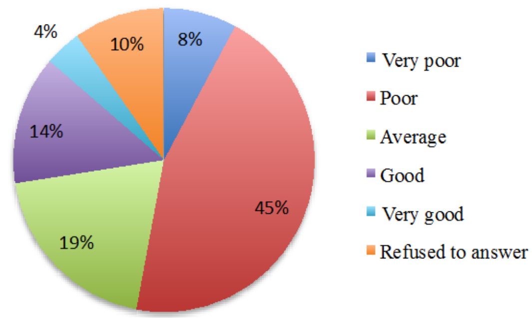


6.1.3.3 Experience with BDS providers

Of the interviewed sample, 51 respondents (65%) declared to have received BDS services. Of the 51 BDS recipients, 86% actually applied for a loan under the ARF program. Over 40% received diagnostic and action plans, and loan applications, and 13% received training. The average cost of BDS services paid by the beneficiaries was FCFA 107,818 /$US 186. However, relations between recipients and BDS providers did not continue for 22% of respondents and 51% chose not to answer. When asked to evaluate BDS services, 53% replied "Poor" or "Very Poor", 20% "Average", only 18% "Good" or "Very Good". 10% refused to answer. Both in the case of positive and negative replies, about half of respondents had their loan rejected.

Chart 3: Breakdown of final beneficiaries sample (BDS recipients only) by type of business development services received and relative evaluation



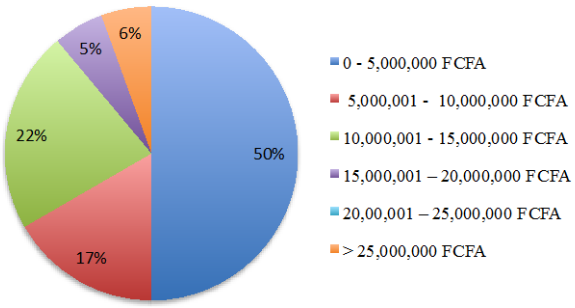


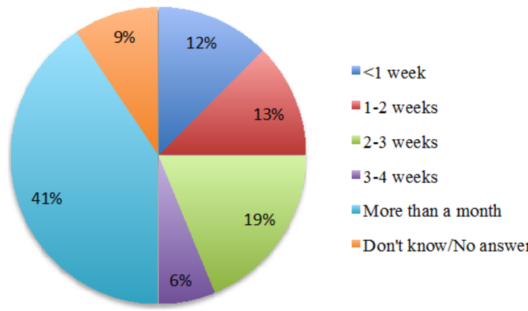
According to Focus Group and Case Study analysis, time for completing the application, cost of services and lack of follow-up are the main reasons for a poor evaluation. For instance, respondents indicated that BDS providers did not inform them about collateral requirements; did not follow up on the application and they did not know the result of the application; and/or submitted the application to financial institutions not involved in the ARF project.

6.1.3.4 Experience with PFIs

Of the interviewed sample, 39 respondents (49%) applied for a loan to the PFIs. 80% of loans have been requested with the purpose of capital investment. 25 respondents actually obtained the loan. Loan amounts were relatively low: 89% were below FCFA 15 million/ $US 26,000, 50% were below FCFA 5 million/$US 8,600, and 28% below FCFA 1.5 million/$US 2,600. Average loan maturity was 16 months and average interest rate 12%. All recipients, except one, had to provide a form of guarantee, which in the majority of cases (57%) corresponded to a land title. Other forms of guarantees accepted were machines and equipment. Grace periods were granted: 13% of respondents started to repay 2-3 months after disbursement, and 31% 4-6 months after. Also, repayment schedule appears quite flexible. Nonetheless, only slightly more than the half paid their last three loans installments on time suggesting room for improvement in product design. Of the applications that were rejected, the motivations mentioned were the following: lack of collateral, lack of business plan for the enterprise, termination of the project. Only 15% of the applicants currently have another loan, 60% do not have any other loan and 25% refused to answer.

Chart 4: Breakdown of final beneficiaries sample (Loan recipients only) by type loan amount and duration of loan appraisal process





According to the Focus Group and Case Studies analysis, end-beneficiaries were mainly concerned with guarantee requirements and penalties for late repayment. Persons interested in borrowing often did not succeed in meeting bank requirements. Those who met the requirements experienced difficulties in paying back the loan because grace periods are too short and penalties too elevated. Interest rates are considered rather high as well. Although the scope of the project is well valued, people are not satisfied with its offer, since they did not appreciate any difference between RFF loans and ordinary bank loans. They perceived that the project was directed to people who already possess financial and professional resources. A general disappointment emerged from the interviews.

Box 5: Results of interviews with non-beneficiaries

Semi-structured interviews were conducted with 15 non-beneficiaries. All respondents operate in the rural sector as farmers or merchants of agricultural products. Respondents pointed out that people in the targeted regions were not well informed on the project, and in fact they were not able to discuss any details of the ARF project. They heard about it through the media, BDS providers or the association of which they are member.

5 respondents (28%) applied for a loan under the project, but the application was rejected. In three cases follow-up was not ensured on the application. The two other applications were refused because of lack of guarantees or because the requested loan amount was too high. Respondents affirmed that projects focused on improving access to finance of the rural sector are needed in Burkina Faso. However, a general feeling of false hope emerges from the interviews.

6.1.4 Outcomes

The short-term outcomes as defined in the project logic did not materialize. Nevertheless, RCPB and Coris Bank were positively influenced by the ARF activity. With the exception of Coris Bank, PFIs did not manage to significantly utilize the funds available and substantially increase their agricultural portfolio during project implementation. However, RCPB is currently developing leasing products for agricultural equipment to meet the needs of farmers. Coris Bank is not only developing several new products such as intra value-chain warehouse receipts and stock follow-up to replace guarantees, but is also increasing its presence in the agricultural sector by participating in other programs similar to ARF. Specifically, Coris Bank is involved in the World Bank's PAFASP and other projects sponsored by Canadian and Danish cooperation. The interviewed PFI staff reported that the ARF programme contributed to increased awareness and understanding of how to manage the risks associated with agricultural finance.

> *The project contributed to increase the portfolio, but it created also some issues. MCA transferred the funds directly to the accounts of clients that had been pre-financed by RCPB. Some of them refused to give back the money.*
>
> *- PFI's field staff -*

The positive impact, however, did not translate into more loans for end beneficiaries. Several factors contributed to the low loan uptake. The delays in the project implementation did not leave enough time for the activities. At the same time the difficult structure and cumbersome administration required a longer learning period than expected. Several stakeholders pointed out that the ARF activity was terminated just when they were starting to master the project requirements. In addition, non-financial activities followed the financial ones, ultimately changing the logical sequence of the activities and hindering potential synergies. BDS were supposed to start before the RFF sub-activity to create the conditions for successful loan application. Even when they started, PFIs were not satisfied with the quality of the applications and did not grant the loans. With the exception of Coris Bank, all of these factors discouraged PFIs to the point that they stopped actively promoting the product and Banque Atlantique was determined not to renew the contract had the project not been cancelled. This discouragement can also be explained with the limited effectiveness of the capacity building. Even if PFIs' field staff found it useful, it was not able to impact the loan requirements. MCA loan applications were still assessed as regular loans, in particular in terms of collateral requirements. Beneficiaries funded under the MCA project could have, therefore, been funded under normal bank loans as well. This was mentioned as the main reason of discouragement and disappointment among the beneficiaries.

> *The quality range of BDS providers was big: from the large and professional networks used to work with international organizations to amateurs who worked on a small scale.*
>
> *- AD10 Representative –*
>
> *The risk committee should be trained on the agricultural loans so that the decision makers would better understand and approve the applications.*
>
> *- PFI's field staff -*

Nevertheless, interviewed stakeholders agreed that the overall ARF and the Compact were very innovative in their design, which seems to have been adopted by

other donors. In particular, the combination of financial and non-financial support, in terms of business development services or technical training, is currently used in many similar projects. The environmental standards are also becoming more and more present among donors' requirements.

6.2 Comparison with M&E Plan Targets

Table 10 compares the results of the ARF activity as reported by the MCC Indicator Tracking Table (ITT) tool in contrast to the findings of the evaluation. The RFF budget was reduced from $10 million to $5 million over the duration of the project, and the targets were adjusted accordingly for several indicators. The information provided is, however, not always consistent and properly tracked.

Based on the available materials, A2F Consulting was able to identify 68 loans approved and conducted the evaluation based on this information. At a later stage MCA-BF clarified that two loans were actually granted to associations with 17 and 12 members respectively. The project reached 96 beneficiaries with 68 loans. However, it seems that only two borrowers that accessed credit received BDS support.[28]

Concerning the training of final beneficiaries, the A2F team was able to find evidence of 170 people receiving BDS services (approved and paid by AD10). A representative of AD10, however, indicated that an additional 200 people received training from AD10 directly at the beginning of the project.

Table 10: M&E Indicators as per Indicator Tracking Table (ITT) and Evaluation Results

Indicator	Unit	Final Target	Final ITT Record	As per evaluation analysis	% Completed
Value of agricultural and rural loans	$US MM	5	2,8	2,8	56%
Loan borrowers	N	120	96	68 loans 96 borrowers	80%
Firms and farmer groups trained in credit	N	160	199	200	124%
RFF borrowers' reinforced capacity in preparing loan application files	N	750	283	170	23%
No. of borrowers who accessed credits after receiving BDS support	N	100	96	2	2%

Sources: ITT and evaluation of A2F Consulting

[28] This was also confirmed by a MCA-BF representative.

6.3 Policy Implications/Lesson Learned

The following lessons learned and policy design implications can be identified:

A stronger emphasis on value chain could have contributed to a more effective outreach. The value chain approach builds on the links among value chain players to facilitate access to finance. The farmers who received technical training under the Diversified Agriculture Activity, for instance, could have been the focus of the ARF Activity. Such training allows them to increase productivity and to meet the volume and quality requirements needed for a more secured and reliable access the market. Their participation in the Diversified Agriculture Activity would have, therefore, reduced their risk profile and made them more attractive for financing. However, as already mentioned in the mid-term evaluation conducted in 2012, the link between the ARF and the Diversified Agriculture Activities was not clearly and consistently integrated throughout the sub-activities, starting from the target beneficiaries. By strengthening the synergies between the two activities in a common value chain approach, MCC could create a more sustainable impact and avoid the engagement of BDS providers.

> *Not that many due diligence studies were conducted for this component beforehand. The analysis of value chains should be strengthened to understand the level of financing that is needed.*
>
> *- MCC Representative -*
>
> *A study on the arrears of the cooperatives in the area was planned, but it was done too late, towards the end of the project. These issues should have been sorted out first.*
>
> *- Non-PFI Representative -*

Box 6: Lessons learned from previous Compacts

Several other MCC Compacts included an access to finance component, either agricultural finance or microfinance. The A2F team reviewed the relevant evaluation reports for the Compacts in Benin, Cape Verde, Mali and Morocco. In the case of Benin and Mali, the evaluation intended to measure the impact of the activities, more than their performance. However, we can observe that the ARF activity in the Burkina Faso Compact was quite peculiar in its design since it focused on medium-term finance, with pre-established amount and maturity ranges, combined with non-financial services.

Among the findings of these evaluations, the following in particular are of interest for this study:

- Both in Benin and in Morocco the projects registered some administrative delays in the implementation. Therefore, it was suggested to take advantage of the pre-Compact preparation period to minimize such delays;
- The involvement of project participants at the baseline and/or design stage was identified as a best practice to better identify the needs, manage risks, improve efficacy and empower the beneficiaries;
- Leveraging and strengthening the existing financial institutions was identified as best practice, as opposed to the creation of new entities or institutions as suggested by some stakeholders in the case of the Burkina Faso Compact. [Not clear how this applies in this case]

A financial system perspective could have also highlighted market structure and institutional gaps, which could have been addressed under the program. Most stakeholders emphasized the need and the absence of a guarantee fund. A guarantee fund is, however, only one possible instrument to mitigate risks. To build a sustainable rural financial system approach, development projects could, for instance, promote the diversification of financial services provided (e.g. savings, insurances, etc.) and delivery channels, or the set-up of financial infrastructure such as credit bureaus. A more rigorous needs assessment should be performed which would help to narrow the target market and better align the financial and non-financial services to the needs of the end beneficiaries.

More intensive capacity building is required to work with conventional commercial banks. The concessional rate *per se* was not sufficient to compensate PFIs for the risk associated with the lack of information as well as their lack of skills in agricultural finance. Intensive capacity building efforts at different levels of the institution combined with change management activities is required to impact financial institutions' attitude towards agricultural lending. Evidence from downscaling programs around the world confirms that this type of capacity building is a multi-year and costly undertaking.

Difficulties in complying with environmental requirements and negative impacts due to frequent staff turnover suggest a need for greater standardization of project management procedures. Roles and responsibilities, workflow and procedures should be clearly defined at all levels, including in the collaboration between MCC and MCA. Rules should be clearly defined and communicated from the beginning, including the necessary level of supervision and quality standards, to minimize disruption from changes in management positions. In addition, procedures should be designed to minimize the administrative burden and costs to project participants and end beneficiaries.

The availability of an independent or MCA subject matter expert to manage the project and follow-up implementation should be a <u>key requirement throughout the life of any future project</u> of this kind. The staff assigned to the ARF activity consisted initially of an ARF manager and an officer. The ARF manager participated in the design and set-up of the component but left at the beginning of the implementation. He was the key staff member with specialized background in rural finance. Following his departure, the ARF officer became the *de facto* project lead at MCA. The sheer number of activities under the ARF compounded with the officer's lack of specialization in rural finance resulted in the insufficient follow-up of the RFF activity.

Consumer protection safeguards should be incorporated in the design of future projects. The project design and conditions were not clearly explained to the potential beneficiaries in the intervention areas. Therefore, local authorities and dishonest BDS providers could easily manipulate the information to their advantage. Several potential end beneficiaries paid for business development services that were not received. In addition, it seems that several borrowers had to sell their assets to repay the loans. Future programs should pay more attention to avoid unfair, deceptive and fraudulent practices by providing awareness-raising campaigns and close monitoring. Also, a more direct engagement of the beneficiaries at the project design stage would help to minimize potential consumer protection issues.

> *"The bank does not give us enough time to work and reimburse. The grace period is too short. Often we are asked to pay during wintering."*
>
> *"Of course I have problems with repayment since I could not buy the tractor on time and since the bank does not wait. So I am selling my cows little by little to repay."*
>
> *"Those that pay had nothing, so in my opinion this project was not trying to help us but rather to take our money."*
>
> *"If they could finance us before asking for money to prepare the loan application it would be better."*
>
> *- End-Beneficiaries -*

7. NEXT STEPS AND/OR FUTURE ANALYSIS

7.1 DISSEMINATION PROCEDURES

The dissemination activities will take place in August 2015 In Burkina Faso and at the beginning of September 2015 at MCC headquarters in Washington DC. The A2F team will present the findings of the evaluation to all stakeholders to increase the reach of the information, as well as the motivation and ability to use and apply such information for future purposes. During the dissemination activities, the A2F team will collect stakeholders' feedback on the evaluation that will be integrated into this final report.

Box 7: Example of baseline information to be collected – Farmers' profiles

- ***Social data***
  - Gender (male, female)
  - Marital status, Number of wives, Number of children
  - Composition of household (children, adults, men-women)
  - Location/zone (farm and household)
  - Most important expenditures of the household
- ***Household assets***
  - Size of farmland (owned, rented)
  - Size of farmland cultivated
  - Other household assets - fixed, moveable
- ***Production income***
  - Number of agricultural seasons per year
  - Measurement of production per unit area (yield)
  - Size of cultivated farmland
  - Important agricultural activities on farm
  - Maximum, minimum and average harvests (historical)
  - Crop yield (kg/acre, kg/hectare)
  - Other agricultural activities (crops, animals)
  - Yields - other agricultural activities
  - Crop prices in zone
- ***Production-related expenditures***
  - Agricultural inputs
  - Labor (family, hired)
  - Post-harvest handling expenses (transport, drying, packaging)
  - Other household incomes and expenditures
  - Other commercial activities
  - Other expenses
- ***Marketing information***
  - Availability of market for the crop
  - Price movements in past years
  - Relations with other value chain actors (traders, processors, agro-input dealers, seed companies, extension agents, local agricultural departments, development projects)
  - Marketing channels used
- ***Financing information***
  - Sources of financing for agricultural activities (own capital, informal credit, formal credit)
  - Possession of bank account (savings, credit, bank, MFI, cooperative)
  - Membership in farmer groups (when, why, services received, objectives of the group)
- ***Agricultural risks***
  - Key risks commonly faced by farmers (market risk, producer capacity risk, climate risk)
  - Categorization of farmers as high-risk, medium-risk, low-risk depending on frequency and regularity of cash flow

7.2 ADDITIONAL ANALYSIS AND DELIVERABLES EXPECTED

As mentioned above, loan repayment is still ongoing until 2018. A final evaluation of the performance and impact of these loans should be conducted as additional analysis. This should include a survey of end beneficiaries to understand the ultimate impact and lessons. If a new program is being considered, a proper needs assessment/baseline study should be done to define what kind of intervention is needed and to take into account gender aspects.

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ANNEX I – EVALUATION DESIGN MATRIX

Evaluation Component	Research Questions	Data Collection Method	Data Collection Instrument	Data Sources
ARF Activity Design	• What were the findings of the due diligence? What methods were used for the due diligence? How robust were these findings and how were they incorporated into the design?	• Desk Review	• Project documents	• Extract from due diligence study and preliminary field missions reports
ARF Activity Design	• Were there other key constraints not addressed by the program that might have hindered its implementation?	• Desk Review • Semi-structured interviews of MCC and MCA project management/PFIs/non-PFIs/BDS providers • Structured interviews and focus groups of beneficiaries and semi-structured interview of non-beneficiaries	• Project documents • Project management team/BDS providers/PFIs/non-PFIs interview protocol • End Beneficiaries survey and focus group protocol • Non-Beneficiary interview protocol	• Review of project documentation • Interviews with Project Management Team/PFIs/non-PFIs/ BDS • Survey and focus groups of End beneficiaries • Interviews of non-beneficiaries
ARF Activity Design	• What were the terms of participation in the program for PFIs/BDSs?	• Desk Review	• Project documents	• Review of procedures manuals for PFIs and BDSs
ARF Activity Design	• What incentives, if any, were built into the program to encourage bank participation in the Rural Finance Facility Lending Fund?	• Desk Review • Semi-structured interviews of PFIs and non-PFIs	• Project documents • PFIs and non-PFIs interview protocol	• Interviews with PFIs and non-PFIs; • Review of procedures manuals for PFIs and of PFI/MCA-BF agreements

Evaluation Component	Research Questions	Data Collection Method	Data Collection Instrument	Data Sources
ARF Activity Design	• What was the structure of the Project Management? Did this impose any undue burden on the PFIs to access the funds?	• Desk Review • Semi-structured interviews of PFIs • Semi-structured interviews with MCA-BF and MCC staff	• Project documents • PFIs interview protocol • MCA-BF and MCC interview protocol	• Review of PFI & BDS agreements • Review of procedures manuals for PFIs and BDS • Interviews with PFIs and MCA-BF and MCC project management
Implementation	• How well did the implementation adhere to the original design?	• Desk Review • Semi-structured interviews of MCA-BF and MCC staff	• Project documents • MCA-BF and MCC Project Management team interview protocol	• Review of AD10 deliverables, project documentation & Mid-term evaluation; • Interviews with MCA-BF and MCC Project Management Staff
Implementation	• Were any changes made and did they help/hinder the effectiveness of the implementation?	• Desk Review • Semi-structured interviews with MCC and MCA-BF staff/BDS providers/PFIs	• Project documents • Project management team/BDS providers/PFIs interview protocol	• Review of project documents; • Interviews with Project Management Staff, PFIs and BDS providers
Implementation	• How did the quality of implementation of each component affect the success/non-success of the project overall?	• Desk Review • Semi-structured interviews with MCA-BF and MCC staff	• Project documents • MCA-BF and MCC Project management team interview protocol	• Review of project documents; • Interviews with MCC and MCA-BF Project Management Staff
Implementation	• How useful, timely or effective were the different training components from the perspective of those being trained? To what extent did the stakeholders implement the new practices per training?	• Desk Review • Semi-structured interviews with MCC, MCA-BF staff/BDS providers/PFIs • Structured interviews and focus group with End Beneficiaries	• Project documents • Project management team/BDS providers/PFIs interview protocol • End Beneficiaries survey protocol • Focus groups of End Beneficiaries	• Review of training materials and manuals • Interviews with PFIs/BDS • Survey of End Beneficiaries • Focus Group with End Beneficiaries

Evaluation Component	Research Questions	Data Collection Method	Data Collection Instrument	Data Sources
Implementation	• How well did the structure, management, timelines of the ARF activity function?	• Desk Review • Semi-structured interviews with MCC and MCA-BF staff/BDS providers/PFIs • Structured interviews with End Beneficiaries • Focus Group with End Beneficiaries	• Project documents • Project management team/BDS providers/PFIs interview protocol • End Beneficiaries survey protocol • Focus Group with End Beneficiaries	• Loan application files, • Interviews with Project Management Team/PFIs/BDS providers • Survey of end beneficiaries • Focus Group with End Beneficiaries
Implementation	• What problems, if any, did PFIs/BDSs face in participating in the project?	• Desk Review • Semi-structured interviews with MCA-BF and MCC staff/BDS providers/PFIs	• Project documents • Project management team/BDS providers/PFIs interview protocol	• Available information on BDS, • Interviews with Project Management Team/PFIs/BDS'
Outcomes and Lessons Learned	• What lessons can be learned from Burkina's ARF project? What could have been done differently to overcome obstacles to achieving the desired results?	• Desk Review • Semi-structured interviews with MCC and MCA-BF staff/BDS providers/PFIs • Structured Interviews and Focus groups with End Beneficiaries	• Project documents • Project management team/BDS providers/PFIs interview protocol • Qualitative analysis • End Beneficiaries survey protocol • Focus Group with End Beneficiaries	• Project reports • Interviews with Project Management Team/PFIs/BDS providers • Survey of End Beneficiaries • Focus Group with End Beneficiaries
Outcomes and Lessons Learned	• How did the offering of these types of loans affect the market? Have other banks/financial institutions begun to offer these products?	• Semi-structured interviews with PFIs and non-PFIs • Focus groups with end beneficiaries • Database review	• PFIs and non-PFIs interview protocol • Quantitative analysis • Focus group with end beneficiaries	• Interviews with PFIs and non-PFIs; • Analysis of Bank data (primary & secondary) • Focus groups with end beneficiaries
Outcomes and Lessons Learned	• What has been the experience of beneficiaries with these financial products, the PFIS and BDS?	• Structured interviews with End Beneficiaries • Focus groups with End Beneficiaries	• End Beneficiaries survey protocol • Focus Groups with End Beneficiaries	• Survey of end beneficiaries • Focus groups with beneficiaries

Evaluation Component	Research Questions	Data Collection Method	Data Collection Instrument	Data Sources
Outcomes and Lessons Learned	• Did banks receive better or an increased number of applications for rural agricultural loans? Did they increase their portfolio in agricultural investments?	• Semi-structured interviews with PFIs	• PFIs interview protocol	• Interviews with PFIs
Outcomes and Lessons Learned	• How long did PFIs actively participate in the RFF? If PFI participation ended prior to the closure of the RFF, why was this participation ended?	• Desk Review • Semi-structured interviews with PFIs	• Project documents • PFIs interview protocol	• Review of project documents • Interviews with PFIs
Outcomes and Lessons Learned	• How (if at all) did PFIs change their practices for agriculture/rural lending?	• Semi-structured interviews with PFIs • Database review	• PFIs interview protocol • Quantitative analysis	• Interviews with PFIs • Analysis of bank data (primary & bank data)
Outcomes and Lessons Learned	• Did the BDS providers increase their capacity on advising rural/agricultural businesses?	• Semi-structured interviews with BDS providers • Structured interviews with BDS recipients • Focus groups with BDS recipients	• BDS providers interview protocol • End Beneficiaries survey protocol • Focus group with BDS recipients	• Interviews with BDS providers • Survey of BDS recipients • Focus Group with BDS recipients
Outcomes and Lessons Learned	• Did the end-beneficiaries increase their business management capacity? Do the end-beneficiaries have (or perceive) better access to credit?	• Semi-structured interviews with BDS providers • Survey of End Beneficiaries • Focus groups with End Beneficiaries	• BDS providers interview protocol • End Beneficiaries survey protocol • Focus group with End Beneficiaries	• Interviews with BDS providers • Survey of End Beneficiaries • Focus groups with End Beneficiaries

ANNEX II – FINDINGS BY RESEARCH QUESTION

PROJECT DESIGN	
Evaluation Questions	**Findings**
Was a market assessment performed prior to the design of the project? If yes, were the results of this assessment taken into account in the project design?	A partial market assessment was performed involving mainly the supply side. The results were partially included in the final ARF design based on what MCC could offer (e.g. a guarantee fund was not included).
What methods were used for the due diligence?	It seems that MCC team used mainly qualitative methods. The following stakeholders were interviewed: Maison de l'Entreprise, SOFIGIB, Burkina Bail Leasing, ECOBANK, Bank of Africa (BOA), IFC, Roche Team, World Bank, PRODIA, PAFASP, Centre Financier Aux Enterprise (CFE), BCEAO, BACB, and RCPB.
What were the results of the due diligence? How were these results incorporated into the design and how robust were they?	The decision to establish a RFF was the result of a due diligence process. An initial investment proposal consisted of three initiatives: access to finance, access to technical assistance and BDS, and financial sector infrastructure. The access to finance initiative proposed four instruments: on-lending fund, guarantee funds, risk capital fund and public-private partnership fund. The project design reflected the results of the due diligence only partially: the access to finance initiative consisted only of the on-lending fund; the combination of financial and non-financial services was maintained, while the interventions concerning financial sector infrastructure were dropped.
Were there other key constraints not addressed by the program that might have hindered its implementation?	Many stakeholders and participants highlighted the lack of risk sharing and in particular the lack of a guarantee fund. MCC seemed determined not to include this instrument. MCC tried to include alternative risk mitigation solutions in the project design (e.g. capacity building) which, however, did not seem to be effective.
What were the terms of participation in the program for PFIs/BDSs?	Banks were selected to participate in the ARF on the basis of criteria based on BCEAO and Banking Commission prudential regulations and ratio requirements, including a minimum net worth of $2MM, and portfolio-at-risk lower than 20% of the total credit portfolio. Moreover, they must have commitment and capacity to conduct rural lending in the selected regions, must be willing to provide MCA-BF-Burkina and its agents with all relevant information, to participate in rural and agricultural credit training and to comply in all respects with environmental guidelines to be stipulated. As non-banks financial institutions, such as leasing companies and micro-finance institutions, are less tightly regulated, they must demonstrate their sustainability through a sound financial condition, profitable operations, and acceptable credit underwriting and management systems. Business Services Providers were selected upon satisfaction of a set of criteria. As compulsory criteria, BDS must be recognized as company, association or cooperative offering non-financial services to rural sector related enterprises and must be able to provide their services to eligible enterprises in order to improve their access to financing in the targeted regions. Further criteria were established to facilitate the selection. Specifically:

	financial and administrative organization; necessary transportation and bureaucratic tools; experienced professional resources on a regular basis; previous experience in activities such as support, strengthening, consulting, technological or scientific services, and financial intermediary for agro-businesses.
What incentives, if any, were built into the program to encourage bank participation in the Rural Finance Facility Lending Fund?	Three incentives were built into the program to encourage banks' participation: • The RFF money was lent to PFIs at the concessional fixed annual rate of 3%. • Capacity building for PFIs was included in the ARF activity. • A Challenge Fund was set up, namely, the possibility to retain up to 50% of the RFF funds utilized based on successful performance.
What was the structure of the Activity Management? Did this impose any undue burden on the PFIs to access the funds?	Activities were managed based on a **single implementer approach**: AD10, an external project management consultant, selected on a competitive basis, was to implement and oversee all activities under the supervision of MCA-BF and based on a terms of reference approved by both MCC and MCA-BF. This approach was designed to mitigate risks relative to contract management. The scope of AD10's contract was extended to cover both financial and non-financial ARF sub-activities and also to include the implementation of the Diversified Agriculture. This seems to have contributed to the administrative burden and implementation delays, while limited synergies could be appreciated. These delays also negatively affected PFIs activities, which could start only several months after PFIs' selection.

PROJECT IMPLEMENTATION	
Evaluation Questions	**Findings**
How well did the implementation adhere to the original design? Were any changes made and how did they help/hinder the effectiveness of the implementation?	Several changes were made. The two main changes that hindered the effectiveness of the implementation are the limited capacity building offered to PFIs, the delayed start of the non-financial component and the increased number of BDS providers selected to participate. The limited capacity building proved ineffective in altering banks' loan appraisal criteria for agriculture. Therefore, they applied the same criteria as for normal loan and potential beneficiaries had the same difficulties in terms of collateral requirements, high interest rates, etc. Delays in the non-financial component resulted in a lack of support to the financial component that was supposed to benefit from better business plans and loan applications. Finally, the increased number of BDS providers made it very difficult to manage the sub-activity and ensue quality control on the services provided that were judged useless and unrealistic by the PFIs.
How did the quality of implementation of each component affect the success/non-success of the activity overall?	Components were very much interrelated. Therefore, the limited capacity building to the PFIs and delayed and low quality business development services resulted in a very low disbursement rate.
How useful, timely and effective were the different training components from the perspective of those	PFIs and BDS providers positively evaluated the provided capacity building. However, they highlighted several points for improvement and the effectiveness is questionable, since it seems that the use of the new tools is

being trained? To what extent did the stakeholders implement the new practices per training?	limited.
How well did the structure, management, timelines of the AFR activity function? Specifically how did the communications, administrative procedures and processes help or hinder the implementation?	The excessive administrative burden and the delays that it entailed seem to be the main reason for the limited results of the ARF. These discouraged ARF participants and reduced the time available for the implementation of activities. Internal communication was not identified as an issue. However, a lack of external communication created reputational damage and raised issues of consumer protection.
What problems, if any, did PFIs/BDSs face in participating in the project?	Participants indicated slow and cumbersome administrative procedures to be the main issue. In addition, incentives were not sufficient and PFIs claimed that a risk sharing facility could have helped achieve better results.
What problems, if any, did end-beneficiaries face in participating in the activity?	The end beneficiaries seemed very disappointed with the project mainly because they did not notice any changes in the conditions to access loans. In addition, several end beneficiaries paid for business development services that were not received or that did not result in a loan. In fact, PFIs considered the submitted business plans to be unrealistic.

OUTCOME AND LESSONS LEARNED	
Evaluation Questions	**Findings**
What has been the experience of beneficiaries with these financial products, the PFIs and BDS?	End beneficiaries did not experience a substantial increase in access to finance, especially due to the collateral requirements. In addition, several beneficiaries that received a loan currently have difficulties meeting the installments.
How long did PFIs actively participate in the RFF? If PFI participation ended prior to the closure of the RFF, why was this participation ended?	RCPB and Coris Bank slowly increased their participation in the project and were active for about one year. Banque Atlantique, instead, was soon discouraged by the administrative burden, especially related to the environmental requirements in financing oil factories. Therefore, Banque Atlantique was only marginally involved in the project and was determined not to renew the agreement.
How (if at all) did PFIs change their practices for agricultural lending? How (if at all) did the RFF change PFIs' risk perception of agricultural/rural lending?	RFF seems to have positively influenced PFIs, especially RCPB and Coris Bank, which are currently designing new agricultural finance products and participating in similar projects. However, the ARF project does not seem to have affected their lending practices in terms of requirements to access loans. More intense capacity building needs to be provided to achieve such a goal.
Did the BDS providers increase their capacity on advising rural/agricultural business?	Representatives of BDS providers positively assessed the provided capacity building. However, PFIs do not seem to appreciate an increase in the quality of business plans and loan applications submitted.
Did the end beneficiaries increase their business	Contradictory information was provided on training of end beneficiaries. On the one side, BDS providers affirmed that they did not provide any training to end beneficiaries since they did not have the time and AD10

management capacity?	requested to prioritize loan applications. On the other side, interviewed end-beneficiaries said that they appreciated and found useful the provided training on business management.
Do the end beneficiaries have (or perceive) better access to credit from the PFIs?	No, end beneficiaries did not perceive any improvement in access to credit since the requirements and conditions were not changed (especially on collateral and interest rates).
Do the end beneficiaries continue to use BDS?	Only a minority of interviewed end beneficiaries continues to use the services of BDS providers.
What lessons can be learned from Burkina's ARF project? What could have been done differently to overcome obstacles to achieving the desired results?	A more rigorous need assessment should be performed which would help better understand the context, narrow down the target market and better align the financial and non-financial services to the needs of the end beneficiaries. More intensive capacity building should be provided at different levels of the credit process to compensate PFIs for the risk associated with the lack of information as well as their lack of skills in agricultural finance. Roles and responsibilities, workflow and procedures should be clearly defined at all levels and communicated from the beginning, including the necessary level of supervision and quality standards. In addition, procedures should be designed to minimize the administrative burden and costs to project participants and end beneficiaries. Agricultural finance experts should be fully dedicated to the project and directly involved in its daily management and field activities. Consumer protection safeguards should be incorporated in the design of future projects to avoid abuse of end beneficiaries in the field.
How did the offering of these types of loans affect the market? Have other banks/financial institutions begun to offer these products?	The project does not seem to have influenced non-participating financial institutions. However, stakeholders widely appreciated the project design and donors are currently working on similar projects. RCPB and Coris Bank are involved in these projects and are developing new agricultural products and expanding their presence in the agricultural sector.

ANNEX III – A2F Consulting's Terms of Reference for the ARF Evaluation