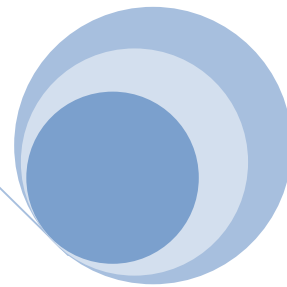
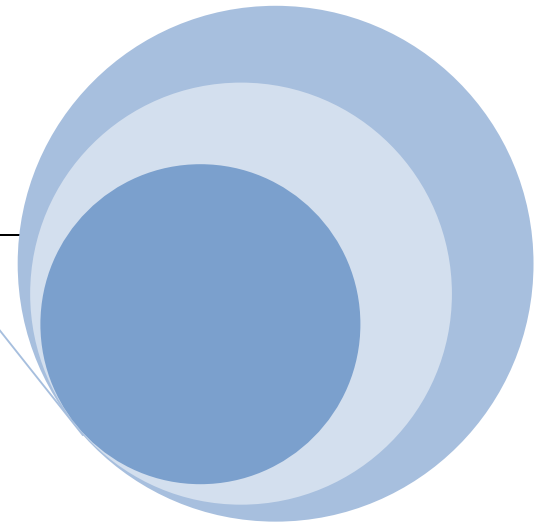


UNDP/UNCDF

**SUPPORT TO THE DEVELOPMENT OF
SUSTAINABLE MICROFINANCE
SECTOR IN NIGERIA**



Mid – Term Evaluation Report

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ABREVIATIONS AND ACRONYMS

ACGSF	Agricultural Credit Guarantee Scheme Fund
AIP	Approval in Principle
ASA	Association for Social Advancement
ATRB	African Traditional Rural Banking
BDC	Bureau de Change
BSD	Banking Supervision Department
BTI	Breakthrough Institution
CB	Community Banks
CBO	Community Based Organization
CBN	Central Bank of Nigeria
CDMR	Community Development Microfinance Round Table
CO	Credit Officer
DAS	Dutch Auction System
DEC	Development Exchange Center
DFD	Development Finance Department
DFI	Development Finance Institutions
DFID	Department for International Development
DFO	Development Finance Offices
FC	Finance Companies
FSS	Financial Self Sufficiency
ISHO	Imo Self Help Organization
JDPC	Justice Development and Peace Commission

LAPO	Lift Above Poverty Organization
LTSP	Local Technical Service Provider
MAB	Microfinance Advisory Board
MARKETS	Maximizing Agriculture Revenue and Key Enterprises for Target Sites
MFB	Microfinance Bank
MFI	Microfinance Institution
MIS	Management Information System
MPR	Monetary Policy Rate
MRR	Minimum Rediscount Rate
MSME	Micro, Small and Medium Enterprises
NAPEP	National Poverty Alleviation Program
NGO	Non-Governmental Organization
NMFPCC	National Microfinance Policy Consultative Committee
OFI	Other Financial Institutions
OFID	Other Financial Institutions Department
PMI	Primary Mortgage Institutions
PRISMS	Promoting Improved Sustainable Microfinance Services
REFORMS	Restructured Economic Framework for Openness, Reform and Macroeconomic Stability
SMEs	Small and Medium Enterprises
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Program
USAID	United States Agency for International Development

EXECUTIVE SUMMARY

The UNDP Support Program for the Development of a Sustainable Microfinance Sector for Nigeria was implemented starting November 2006. It was designed to deepen microfinance intermediation to the poor. Implemented by the CBN, the program is hosted in the Microfinance unit.

There is no coherent database of microfinance institutions as at now. The actions planned under this program will await a sufficient implementation of the policy and the filling of skills gaps and the acquisition of the infrastructures needed for the DFD and OFID to be fully operational. The microfinance unit of the DFD does not have the capacity to work deeply with the poor. The program is more or less managed on an ad hoc basis.

Under this program, the microfinance policy was developed and launched in December 2005. Through the policy the CBN has shown its utmost support to the microfinance sector in Nigeria. But issues related to capacity building for the new MFBs and NGO-MFIs that will be converted to MFBs as of January 1, 2008 should be dealt with adequately. For the way forward, the mission suggests that the UNDP Microfinance support program should continue to provide value-added support to CBN in the implementation of the policy.

The MAB was established and is functional. This has however not been a good forum for donor coordination and partnership because the issues discussed primarily centre around the UNDP-funded project. Questions have therefore arisen as to the relevance of participation of such meetings by other donors. The MAB should therefore be restructured. Under the current UNDP program, a National Microfinance Strategic document must be drafted. Inputs from all stakeholders must be sought, in an attempt to synergize the various programs, and avoid duplication of actions. Microfinance practitioners and professionals should be encouraged to come on board.

The Community Development Microfinance Roundtable (CDMR) is not operational. The network is crippled by a multitude of problems and since 2004, the organization has been dormant. The program has not made any effort to bring the microfinance practitioners together.

An International Technical Services Provider (ITSP) has not yet been appointed as indicated in the project document. The program has seriously suffered from the absence of that central position. The evaluation team strongly recommends that the ITSP be recruited as quickly as possible, no later than 31 December 2007

ASA, another International Technical Services Provider, has provided extensive training and monitoring assistance to LAPO, DEC and JDPC. Since 2006, 4 workshops and 15 on site trainings have been provided to the beneficiaries in their respective locations. Though the assistance has proved very effective in scaling up outreach and improving sustainability and cost effectiveness, the full implementation should take into consideration the cultural peculiarities of Nigeria for effective results. Except for LAPO, other BTIs (DEC and JDPC) are far behind the outreach targets set

by the program. Governance, leadership style and religious concerns were the main causes of the poor performance.

LAPO and DEC operate in at least 7 States. This is within the range of the program target. JDPC operates in only 3 States. This falls short of the program minimum target of 5 States

Sustainability is a major concern in the program. Our review of the reports and field visits to the BTIs revealed that not all the expenses incurred for the microfinance activities are captured in the financial statements presented by the BTIs. Our analysis revealed that, as at June 30, 2007 LAPO was operationally and financially sustainable. On the other hand, DEC and JDPC are largely donor-driven and lagging behind.

The review of the internal control system has shown a great improvement in tracking financial and portfolio data manually. To guide the MFIs against errors and frauds, the evaluation team suggests that proper MIS needs assessment should be conducted in all the BTIs. Because professional microfinance software are expensive, it is recommended that the MFIs should pull their resources together to acquire the best software.

The size of the country, the insecurity, especially in the Niger Delta region, diverse cross cultural issues that define “acceptable business practices and the lack of sufficient expertise in the microfinance industry in the country have been identified as factors affecting microfinance in the country.

The mission came out with the following recommendations among others:

Extension of the program by one year. This would give room for the implementation of certain activities that have not been implemented. However, this should not involve the extension of the ASA contract.

Establishment of an apex organization which will operate outside the offices of CBN, to manage the UNDP Microfinance Support Program for Nigeria. CBN would still keep the position of the implementation agency. But the program will be coordinated by the ITSP who will report to the MAB through DFD.

The development of a national microfinance strategy that will fit into NEEDS and with inputs from a broad spectrum of stakeholders.

1 Purpose of the Evaluation

The purpose of the evaluation is to examine the relevance and effectiveness of UNDP's support as well as validate the initial assessment of relevance. It is also aimed at examining the efficiency and effectiveness of UNDP support and providing advice on any needed adjustments in the on-going project, as well as inform future programming. The evaluation was also aimed at providing feedback on the success or failure of assistance, including policy advice, advocacy and capacity development, so as to enhance the project implementation.

Specifically, it is meant to evaluate the achievements of the project and its components, give advice on the issues related to the establishment of the ITSP, and especially focus on the way forward in the context of the project and beyond so as to enhance contribution of UNDP towards a sustainable microfinance sector in Nigeria.

The evaluation would also help to position UNDP support in relation to the other development actors in the sector with the aim of establishing a more coordinated support to Microfinance.

The mid-term evaluation was expected after implementing the project for one year. This evaluation exercise is therefore more than a year late. On the whole, the evaluation is aimed at reviewing results achieved against the expected outcomes and provide recommendations on necessary adjustments. For a project that is well designed, this feedback mechanism is advisable.

2 Evaluation Methodology

2.1 Methods used

The context and the outcome of the evaluation are very compelling. In order to collect pertinent information about the achievements of the program, the evaluation team has adopted a participatory approach. This methodology requires that the views of the stakeholders be given proper consideration in the process.

The evaluation was broken down into four different phases: identification of groups, administration of questionnaire, collection of data, processing of data and reports writing.

The identification started prior to the commencement of the assignment. The Terms of reference of the mission clearly specified the stakeholders whose inputs are desirable in the course of the evaluation. We have reviewed the list provided and had fruitful meetings and work sessions with CBN (DFD and OFID), ASA, UNDP, NAPEP, LAPO, DEC, JDPC to assess the achievements, potentials and constraints of the project and its components. We also visited donors such as DFID, World Bank MSME project, GTZ, USAID REFORMS, USAID MARKETS and Ford Foundation, to gain an understanding of the current support being provided by the international community to the Microfinance sector in Nigeria. The team also visited Prosperity and Fortis Microfinance Banks, two newly created MFBs under the current legal framework.

Tailor-made questionnaires were designed for each category of respondents, to collect relevant information about the program and the microfinance industry in the country. Intensive interviews and focus group discussions were used as mechanisms to get the viewpoints of stakeholders identified as key players in the program.

The team also collected and reviewed existing documents in order to have a broad understanding of the program. It was originally envisioned that appropriate documentation will be provided to the team electronically before the beginning of the mission. But not all the documents were submitted on a timely basis to the team. Some of the documents reviewed include: Microfinance Policy and Regulation, Microstart Evaluation Report, Project document, project reports, work plans, minutes of MAB meetings, CBN annual reports, NEEDS document, and a sample of State Economic Empowerment Development Strategy (SEEDS) document. In most of the cases, the data provided by the BTIs were not suitable enough for our analysis. They were either incomplete or totally wrong. The team had to spend a significant amount of time recompiling data.

During the visits, the team adapted the CGAP appraisal format. The objective of the exercise was to conduct an in-depth evaluation of the program as a whole in order to collect critical information pertaining to the program management.

2.2 Work plan

The mid-term evaluation started on Monday September 3, 2007 in Abuja. The original work plan drafted by the program was reviewed. The first half of September was fully dedicated to reviewing the documentation and visiting partners in Abuja. Appointments were so challenging that the team spent more days than originally planned in Abuja.

From September 17, the mission focused on the Breakthrough Institutions (BTI) and practitioners of microfinance in Lagos, Ijebu Ode and Benin City. The field work was completed with the presentation of the preliminary report to UNDP on Monday September 25, 2007 and to the Microfinance Advisory Board (MAB) on Wednesday September 26, 2007.

2.3 Team Composition

The evaluation team was composed of Mr. Felix Mawuko Agbobli, an international consultant and the Executive Director of KEKAR, a consulting firm based in Togo and Mr. Adamu Garba, a local consultant and the Executive Director of Diamond Development Initiatives (DDI), a not-for-profit development consulting firm based in Kano, Nigeria.

3 Background

3.1 Political context

Following his victory in the April 2007 elections and subsequent inauguration on May 29 2007, President Umaru Musa Yar'Adua has continued with efforts to consolidate his position in power. President Yar'Adua has moved quickly to heal the divisions within the ruling Party that emerged as a result of his selection as its presidential candidate. He has also made efforts aimed at placating an opposition that has been angry at the conduct of the elections by creating a more inclusive government - offering ministerial slots to opposition party members. The largest opposition party, the All Nigeria People's Party (ANPP), has agreed to join the government, against the wishes of its defeated presidential candidate, Muhammadu Buhari. Against this background, and in view of the fact that there is apparently no great enthusiasm among the general public for mass protests against the outcome of the elections, it is widely believed that the opposition parties will achieve little in terms of challenging the election results in courts. Meanwhile disillusionment with the political elite remains high and poverty is still very visible in most parts of the country. In addition, the perceptions of the new government could well be determined by how it handles the complicated issue of youth restiveness in the Niger Delta region.

Despite the general international condemnation of the conduct of the April elections, it is expected that the international community will take no real action, but will seek to build relations with the new president and encourage him to push ahead with both economic reform and reform of the Independent National Electoral Commission. It is also expected that the foreign policy of the new administration will remain broadly unchanged. The new administration is also expected to persevere with the efforts of its predecessor to change the image of Nigeria from that of a corrupt and violent country to

one that is pushing ahead with economic reform and is ready to play a role on the world stage, as well as being a country that is able to host international events such as the commonwealth games.

3.2 Economic context

In mid-December 2006, the Central Bank of Nigeria introduced a new monetary policy framework with a new benchmark interest rate, the monetary policy rate (MPR). The MPR was initially set at 10% but was reduced to 8% in early June – a level that offers a small positive rate of return based on an inflation rate that is calculated using a combination of the current inflation rate and the inflation target for 2007. The reduction in the rate is a clear sign that the CBN intends the MPR to be more effective in influencing other interest rates in the economy than was the minimum rediscount rate (MRR).

The introduction of the wholesale Dutch Auction System (DAS) in late February 2006 and the subsequent market liberalization has led to a significant unification of the DAS, interbank rate and parallel exchange rates. Moreover, since oil prices have remained high, the unification has been possible with the naira trading within a 3% around its central rate. Since its introduction, in early 2005, the band has improved confidence in the naira while limiting the currency's appreciation in an environment of high oil prices.

A combination of improved monetary policy and only modest growth in food prices caused the year-on-year inflation rate to fall sharply in late 2006, to average 8.2% for the year. Although it continued to decline in the first four months of 2007, reaching 4.2% year-on-year in April 2007, it has since increased to 6.4% in June 2007. It is expected that the CBN will be more effective in controlling inflation in the coming years given the recent improvements in the monetary policy framework.

In his first week in office, President Yar'Adua had to deal with a national crisis as the labor unions issued a two-week ultimatum for him to reverse certain decisions taken by his predecessor in the final days of his presidency or face nationwide strike. The unions demanded: (1) the cancellation of increases in domestic fuel prices, which saw the pump price of petrol rise to ₦75 per liter from ₦65 per liter, (2) the reversal of the doubling of the value-added-tax (VAT) rate to 10%, (3) the cancellation of the privatization of two oil refineries, and (4) a 15% salary increase. After talks with the labor leaders, the government offered to reduce petrol prices to ₦70 per liter, reverse the increase in the VAT rate, review the sale of the refineries as well as agreeing to increase civil service salaries by 15%. Despite these concessions, the unions proceeded with a general strike, insisting on a full reversal of the fuel price increase. The strike action crippled economic

activity in many parts of the country and demonstrated the power of the Nigerian central labor organizations.

3.3 Situation of microfinance in Nigeria

Before the emergence of formal microfinance organizations, informal systems of providing credit and savings services have also existed in Nigeria. The informal arrangements are known in the Northern part of the country as *adashi*, *esusu* in the West and *etoto* in the East.

A Central Bank of Nigeria survey indicated that the operations of formal microfinance institutions in Nigeria are relatively new, as most of them were registered after 1981. Most of the MFIs operate in rural and urban areas, and a few operate exclusively in rural areas. Most of the clients are women.

A recent study¹ revealed that the operations of MFIs in Nigeria have grown phenomenally, driven largely by expanding informal sector activities and the reluctance of commercial banks to fund emerging microenterprises. The number of MFI branches was shown to have increased and the number of employees increased tenfold over a ten year period. Their asset base and clients increased six times and sixty-seven times respectively. In spite of these significant improvements, the number of beneficiaries of MFIs is an insignificant proportion of the people in need of microfinance services. It has been estimated that formal MFIs only service less than one million clients, in a country where over 70% of the country's population of 140 million live below the poverty line.

The Nigerian Microfinance Policy Regulatory and Supervisory framework, which was a major policy initiative of the CBN was launched in December 2005. The policy addresses the problem of lack of access to credit by entrepreneurs who do not have access to regular banks. Other key elements of the new policy framework include:

- Raising the capital base of microfinance institutions to a minimum of ₦20 million
- Setting aside an amount of not less than one percent of the annual budgets of States and Local Governments for on-lending activities through microfinance banks
- Constitution of the National Microfinance Policy Consultative Committee (NMFPPCC)
- An accreditation process for the management of MFBs
- Listing of all microfinance institutions in Nigeria in CBN's microfinance database
- Establishment of a Microfinance Development Fund

¹ Anyanwu, C. M. (2004)

- Introduction of deposit insurance for microfinance banks to protect depositors
- The formation of an apex body for MFBs

The CBN is currently receiving applications for banking licenses and registration as MFBs. Several AIPs have been given by the apex, and so far the following fourteen institutions have received their microfinance banking licenses:

1. Accion Microfinance Bank Limited
2. Bakassi Microfinance Bank Limited
3. Century Microfinance Bank Limited
4. Eagle Flight Microfinance Bank Limited
5. Ekondo Microfinance Bank Limited
6. First Global Microfinance Bank Limited
7. Integrated Microfinance Bank Limited
8. MIC Microfinance Bank Limited
9. Moneywise Microfinance Bank Limited
10. Nwanngadi Microfinance Bank Limited
11. Prime Microfinance Bank Limited
12. Prosperity Microfinance Bank Limited
13. Susu Microfinance Bank Limited
14. Wizetrade Microfinance Bank Limited

4 Evaluation

4.1 Project structure and framework

4.1.1 Central Bank of Nigeria

4.1.1.1 Focal point for microfinance in Nigeria

The CBN is charged with the responsibility of administering the Banks and Other Financial Institutions (BOFI) Act (1991) as amended, with the sole aim of ensuring high standards of banking practice and financial stability through, among other things, its surveillance activities. In view of the CBN's key role in policy formulation and supervision, the CBN should be a focal point of the microfinance industry in Nigeria. The two departments saddled with the responsibility of implementing the microfinance policy are the Development Finance Department (DFD) and the Other Financial Institutions Department (OFID).

The Development Finance Department

The Development Finance Department, formerly Agricultural Finance Department, was established in 1977 to manage the Agricultural Credit Guarantee Scheme Fund (ACGSF) and finance the marketing operations of the defunct commodity marketing boards. In view of the expanded role of the Bank in the Nigerian economy, the Department was restructured and renamed Development Finance Department in March, 2002. The DFD units at the branch offices of the CBN are referred to as Development Finance Offices (DFO) and consist of 3 to 5 staff members.

The DFD's mandates include:

- Identifying development finance market failures, designing strategies and policies for addressing them.
- Formulating policies, regulatory and supervisory framework for micro/rural finance.
- Identifying development priorities, designing and implementing alternative funding sources.
- Monitoring and evaluating the impact of development finance initiatives.
- Advising government and the CBN Management on commodities, SME, and micro/rural finance issues.
- Identifying, evaluating and coordinating international development finance assistance.

The major activities include the following:

- Management of the Agricultural Credit Guarantee Scheme Fund,
- Coordination of the Small and Medium Industries Equity Investment Scheme,
- Development and implementation of rural/microfinance policy,
- Serves on the Board of Development Finance Institutions in which the Bank holds shares.
- Development of the National Agricultural Export Support Statistics with relevant stakeholders,
- Management of collaborative development finance projects
- Represents the Bank in International Commodity Associations and serves as adviser to the Federal government of Nigeria on those Associations and international Commodity Market.

Other Financial Institutions Department

The OFID is saddled with the responsibility of supervising and regulating the Other Financial Institutions (OFIs) sub-sector which include the community banks (CBs), Finance Companies (FCs), Bureaux de Change (BDCs), Primary Mortgage Institutions (PMIs), Development Finance Institutions (DFIs) and the recently-launched Microfinance Banks (MFBs). Created in 2001 out of the old Banking Supervision Department (BSD), the department currently operates a six group structure with five groups based in Lagos where the bulk of the operators in the sub-sector are domiciled and the sixth group in Abuja to supervise some of the OFIs in the Northern part of the country. The department carries out both Off-site and On-site supervision of the OFIs.

Off-site supervision involves the appraisal and approval of:

- applications for licenses,
- nominees into the boards and top management positions,
- transfer of shares and increase in share capital,
- branch expansions, closure, office relocation and change of address,
- statutory returns from OFIs,
- default by OFIs in redeeming obligations,
- appointment or change of external auditors
- the audited annual financial statements of OFIs before publication

The on-site aspect of the department's function includes pre-commencement examination before the grant of a final license to an OFI, maiden examination which is usually conducted within six months of commencement of operation by a new OFI, routine examination which is the regular examination; target examination addresses specific supervisory concerns arising from unprofessional conduct of the operations of an OFI and is carried out as the need arises while spot-checks for quick confirmation/verification through independent on-site assessment of the OFIs are also undertaken. The on-site examinations usually focused (but not limited) on the following:

- corporate governance,
- internal control system/anti-money laundering controls and procedures,
- reliability of information provided,
- quality of the assets
- accounting systems and records
- financial condition (to determine the going concern status of the OFIs)
- assets/liabilities match/mismatch
- earnings
- liquidity
- capital adequacy, etc.

4.1.1.2 Capacity of DFD

As already stated in Section 3.1.1.1 above, the Development Finance Department (DFD) of the CBN is established to manage development funds, monitor and identify market failures, and develop strategic tools to address problems. Besides, DFD is involved in a broad range of activities, including microfinance with limited resources. Managing microfinance programs is involving. It requires specific expertise, patience, time, funds and flexibility. DFD does not have the capacity to go to that length with the poor. The UNDP microfinance program is currently managed on an ad hoc basis. There are no staff specifically assigned to the program. The situation has led to improper coordination, less or no communication among the stakeholders, poor management of scarce resources set aside for the program, and lack of synergy amongst funding organizations.

4.1.1.3 Database of operators

From a study led by the DFD in 2006, more than 300 NGO-MFIs are operating in Nigeria. But a coherent database of these institutions is not fully operational as at now. The microfinance policy enacted in December 2005 does require all NGO-MFIs to submit quarterly reports to DFD which has designed in-house, a quarterly report format for Non-licensed NGO-MFIs. But the content of the report is too general. There was no room for relevant performance data that are generally tracked and monitored by the industry based on the best practices around the world. Besides, the department does not have a specific software application to assist in processing the quarterly reports.

It is crucial to understand that, though perfectly planned under the current UNDP Microfinance Support program, a database of microfinance operators will await a sufficient level of implementation of the policy and the filling of skills gaps and the acquisition of the infrastructures needed for the DFD and OFID to be fully operational.

The mission also found that the CBN is more likely to be interested in setting up a database for Microfinance Banks (regulated institutions). The team strongly recommends that the database of operators be extended to cover microfinance Institutions, NGOs and Cooperatives Unions that will continue to be engaged in microfinance activities on membership basis.

4.1.1.4. Regulatory and supervisory framework

The microfinance policy enacted in December 2005 has seriously reshaped the microfinance industry in Nigeria. Apparently, the law aims primarily at pushing Community Banks (CB) into microfinance. This approach was taken to create a coherent banking sector that will be fully dedicated to serving the poor in the country. At the current pace, out of the 300 NGO-MFIs inventoried in the country, less than 10 will become microfinance banks as of January 1, 2008

Through the policy, the CBN will give more support to the microfinance sector in Nigeria. Besides the numerous advantages of the laws, the team found that the policy does raise some concerns that should be dealt with appropriately in the implementation stage.

The first and the more crucial problem is the capacity of community banks that are metamorphosing into microfinance banks to be really in the business of loaning to poor. Microfinance is totally different from traditional banking that is collateral based. It is proximity banking, where the banker goes to the client instead of the contrary. The team visited three newly created Microfinance Banks and quickly realized the gap in the approaches and the vision. These institutions have more staff in their offices than the field. They are into microfinance without knowing that the business is about being present in the market places, showing interest to clients.

The second problem is the place of NGO-MFIs, Cooperative Unions who, for one reason or another, may decide not to become microfinance banks. The policy does not provide a comprehensive approach to dealing with these types of institutions. Generally supported by donors' agencies, these institutions at the grassroots level may not be very attractive as microfinance banks. The policy does not provide specific incentives for these institutions. It is clearly spelt out that performing Microfinance Banks will access funds that will be set aside for the industry. The position of NGO-MFIs regarding access to funds is not clearly spelt out in the policy document.

In our view, donor organizations whose interests are in the reduction of extreme poverty in Nigeria may find it hard to contribute to a Microfinance Fund that will be supporting only Microfinance Banks and not NGO-MFIs deeply involved with the poorest all over the country. It is also widely believed that NAPEP, and other government agencies will be dealing with grass root organizations. This strategy may be dangerous if appropriate guidelines are not put in place. Funds improperly channeled to State and Local Governments areas will pollute the market and affect the performances of professional microfinance practitioners. The evaluation team is supportive of the view that the involvement of NAPEP, other government agencies

(including the pet projects of government officials and their spouses) in microfinance activities must be discussed by Microfinance Advisory Board for maximum impact in the country.

For the way forward, the mission suggests that the UNDP Microfinance support program for Nigeria should continue providing value-added support to CBN in the implementation of the policy. The following are the areas the program should focus on for the remaining period:

- Provide technical assistance to the willing BTIs and potential BTIs to become microfinance Banks.
- Help Microfinance banks acquire the appropriate expertise in microfinance
- Help CBN develop a comprehensive approach to dealing with NGO-MFIs

4.1.2 Microfinance Advisory Board

The MAB was established under this program and is functional. This has however not been a good forum for donor coordination and partnership because the issues discussed primarily centre around the UNDP-funded project. Questions have therefore arisen as to the relevance of participation of such meetings by other donors.

Despite our formal requests for the TOR of the Microfinance Advisory Board, we have not yet received the document. The absence of this major document has reduced the scope of work. But we were invited to the 4th session of the MAB and had the opportunity to present our report on the preliminary findings to members.

The UNDP Microfinance Support Program for Nigeria started in November 2005. MAB meetings are scheduled at the end of each quarter. From the inception of the program until September 2007, 6 quarters have elapsed. The Board should normally have met for at least 6 times already. Apparently, 2 quarterly MAB meetings were missed during the period. A review of the minutes revealed that attendance was pretty poor. Donor agencies have deserted the meeting, casting doubts on its relevance in many regards. From the discussions with these donors, the mission came up with the following reasons why some donors are not keen on participating at the MAB meetings:

- Lack of proper coordination of the activities of the board.
- Poor communication between the secretariat and the members leading to poor meeting attendance.
- Lack of expertise in microfinance. Most board members have limited expertise in microfinance.
- Lack of cohesive strategic plan to drive the board toward sustainable

- and achievable goals
- Undue concentration on UNDP microfinance support program

The evaluation team believed that the board should be restructured. Under the current UNDP program, a National Microfinance Strategic document must be drafted. Inputs from all stakeholders must be sought, in an attempt to synergize the various programs, and avoid duplication of actions. Microfinance practitioners and professionals should be encouraged to get on board.

4.1.3 Community Development and Microfinance Roundtable

The Community Development Microfinance Roundtable (CDMR) is not operational. The network is crippled by a multitude of problems and since 2004, the organization has been dormant. Regarding the UNDP Support program for Microfinance in Nigeria, the network felt that there was little or no communication at all between the program and the network. For example, members of the network were not aware that some project activities were designed specifically for the CDMR. Members also feel that the CBN is much more interested in setting up a Network of Microfinance Banks.

The following are the most crucial issues that the CDMR is facing.

- Weak leadership. Leadership has been unable to bring members together. We however noted that a couple of members demonstrated the desire to assume leadership of the network.
- The microfinance policy and regulatory framework that was launched in 2005 has left many MFIs in a confused state. For most members, microfinance is just one of the many programs run by them. They have therefore been faced with the challenge of restructuring their programs in order to comply with the laws and have used this as an excuse to abandon the network.
- The cost of attending meetings. The country is very large, and members, particularly those who reside far away from the location of the network, and young members, find it difficult to attend meetings because of the associated costs. Although it was suggested that members could meet at zonal levels in various parts of the country, this is yet to be implemented. And although the modalities for the implementation have been debated and agreed upon by the Board, no concrete actions have been taken.
- Lack of funds. The Network derives revenue from the contribution of members as well as from development partners. Only few members have contributed to the network. We observed that some donor agencies are desirous of providing some support to the network, but

they are yet to see the commitment of members of the network.

- Location of the network. Lagos, Benin and Abuja have been identified as possible locations to site the secretariat of the network. Before it became moribund, the secretariat was located in Benin. CDF has indicated its willingness to provide office accommodation for the network in its new corporate headquarters in Lagos.

Clearly the CDMR has not been revived as planned under this project and no steps have been taken in this direction. All the members spoken to, including other stakeholders are desirous that the network be reactivated as soon as possible. However, for a national network such as the CDMR to be very functional, members must demonstrate commitment by sacrificing their time and other resources, regain the confidence of development partners and have access to resources and best practices related to operationalizing a network

4.1.4 International Technical Service Provider

The International Technical Services Provider (ITSP) has not yet been appointed as indicated in the project document. In November 2006 a call for proposals was made and proposals were received and evaluated according to UNDP recruitment procedures. But as at date, no ITSP has been recruited because of lack of funds and qualified candidates. We have not received the recruitment report despite our many requests.

The position of ITSP is very crucial for a successful implementation of the UNDP Microfinance Support program. In fact, the project should not have started unless an ITSP was recruited. So far almost 2 years have elapsed without the program coordinator on ground. The program is seriously affected by the absence of the ITSP.

The evaluation team strongly recommends that the ITSP be recruited as quickly as possible, no later than December 31, 2007.

4.1.5 Support to Microfinance Institutions

4.1.5.1 The "Break through" Institutions

The MicroStart pilot program ran from the year 2000 to 2003 and 8 Microfinance Institutions participated in the program. The key lesson from Phase I and from evaluations of other MicroStart programs globally, is that accomplishment in outreach will come from the institutions with the vision, drive and capacity to rapidly scale-up to reach large numbers of clients.

Based on lessons learned, the current program is centered on three

Breakthrough Institutions (BTI) that have emerged from the previous phase. The strategy is to build the sector by assisting LAPO to make significant progress in becoming a national MFI, and JDPC and DEC making substantive progress toward becoming regional MFIs. Other participating MFIs from Phase I that have met performance targets will build their base for future expansion. In addition, ASA will revisit its initial assessment to see if any promising MFIs that have the capacity to become market leaders have emerged since initial selection.

4.1.5.1.1 Level of implementation ASA methodology

Under the UNDP Support program for microfinance in Nigeria, ASA has provided extensive training and monitoring assistance to LAPO, DEC and JDPC. Since 2006, 4 workshops and 15 on-site trainings have been provided to the beneficiaries in their respective locations. The training sessions were designed specifically to assist the BTIs scale up outreach, and make them sustainable in a short period of time. They were also aimed at transforming the BTIs into local technical services providers (LTSP), which in turn will provide value-added assistance to other institutions that are willing to use the ASA methodology. In this regard, three (3) management level staff were selected from each of the three (3) BTIs to receive the training of trainers (TOT) in order to be well equipped and to provide adequate assistance to their organizations and other microfinance institutions. During the period under review, one (1) TOT session was conducted. Field visits, monitoring sessions, hands-on assistance have also been provided the institutions. The beneficiaries found the technical assistance provided by ASA to be very useful.

The implementation of the ASA methodology started during the MicroStart 1 program and was followed through under this microfinance support program for the three BTIs. The transformation of the institutions into local technical Services providers (LTSP) is in progress. Six (6) potential breakthrough Institutions have been identified and most of them have been exposed to the ASA methodology. The 6 MFIs have not been properly mentored to adopt the ASA methodology. The BTIs are of the opinion that they also need to be properly well grounded before they can mentor other MFIs. The second batch of MFIs to be assisted by the BTIs for the current calendar year has not been identified.

Although the ASA methodology has proved very effective in scaling up outreach and improving sustainability and cost effectiveness, the BTIs have concerns about the following shortcomings of the methodology:

- Standardization of repayment periods. The BTIs wonder why, for example, a client should be forced to pay a loan in 8 months when he or she is able to complete the repayment within a shorter period of time.

- Rural or less populated urban areas are not suitable for the methodology. It seems more suitable for densely populated areas where potential clients are small scale traders.
- Individual, farming and other loans are not easily accommodated under the methodology. It is more suitable for small loans using the group methodology.
- The recruitment procedures and staff management systems are not readily applicable in the Nigerian context where the environment is multicultural. For example, under the ASA methodology, job applicants are required to bear the cost of processing their applications. In Nigeria, applicants do not bear such costs. Also as part of the cost reduction mechanism, all MFI staff of a branch are accommodated in one house. The house also doubles as the branch office. Although JDPC has applied this principle in some of its branches, on a general note, the practice is not culturally feasible within the Nigerian context.
- The ASA methodology places a lot of emphasis on manual record-keeping. This has proved to be cumbersome, error prone and open to fraudulent practices - particularly as outreach increases.
- The high level of decentralization of the activities requires additional staff
- Lack of loan funds to support a higher demand for credit. An increase in outreach must go hand in hand with an increase in capital fund.
- Lack of management level capacity building. Current trainings are more focused on operational rather than strategic issues. When outreach, staff and capital increase; proper management skills are needed to move the organization to the next level.
- Lack of strategic setting to transfer ASA methodology from the BTIs to the potential MFIs.

However, due to the cultural realities, geographic spread and operational difficulties, the three BTIs have adopted the methodology with one form of modification or the other.

4.1.5.1.2 Outreach achievement

The outreach targets set in the program document are very confusing. The program did not specifically indicate whether the annual targets are for each of the three BTI or for all of them put together. From the various reports provided to the evaluation team, we realized that the common understanding of all the key players is that the indicators were set for all the three BTIs put together. The target is not allocated to each of the participating BTI individually. This did not seem logical to the evaluation team.

Table 2: Outreach in existing branches

Names of the institutions	Number of members			Increase in number of members				
	2005	2006	June 2007	2006		June 2007		2008
				Number	% achieved	Number	% achieved	
LAPO	43,699	84,006	85,461	40,307	92.57%	41,762	77.33%	
DEC	20,674	21,168	22,553	494	1.13%	1,879	3.48%	
JDPC	14,186	16,928	24,553	2,742	6.30%	10,367	19.20%	
Total	78,559	122,102	132,567	43,543	100.00%	54,008	100.00%	
Target control				56,000	77.76%	80,000	67.51%	106,000

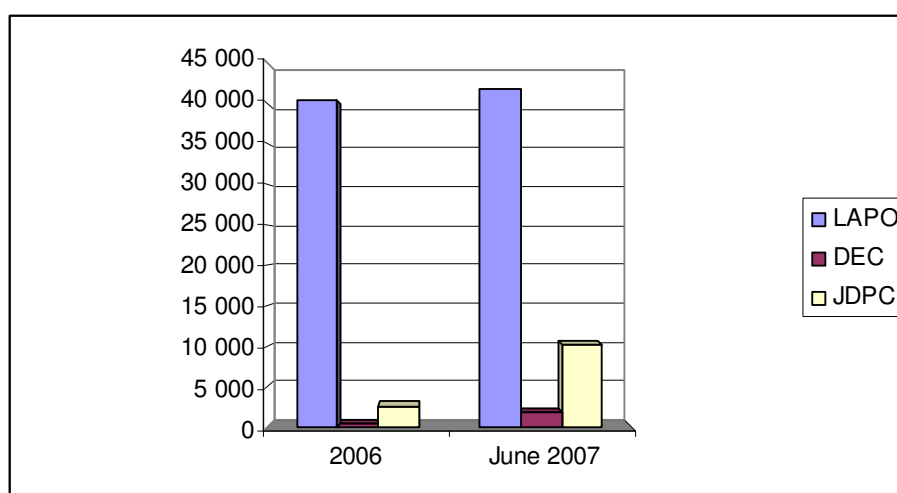
Figure 1: Outreach (Number of clients)

Table 2 indicates the following:

- Overall, the program has achieved 77.6% of the outreach target set in 2006 and 67.51% in June 2007.
- LAPO alone has accomplished 92.57% of the target set in 2006 and 77.33% in June 2007.
- In 2006, DEC only achieved 1.13% of the outreach target for the year. As at June 2007, DEC had only achieved 3.48% of the target for the year.
- JDPC achieved only 6.30% of the target for 2006. As at June 2007, the institution had only achieved 19.20% of the target for the year.

Our evaluation of the reasons behind the non-achievement of the project targets by DEC and JDPC revealed the following:

- As indicated in Section 4.1.5.1.3 below, the boards of DEC and JDPC are mostly composed of members who do not have enough exposure to microfinance. These organizations were originally set up with the aim of alleviating poverty through social undertakings.

- JDPC is a faith-based organization and the Catholic archdiocese under which it operates was reluctant to allow JDPC to operate beyond the territorial boundaries of the Ijebu-Ode archdiocese.
- DEC operates a system of rotational CEO - a CEO oversees the organization for a maximum of three years, after which he leaves. This limits the commitment of a CEO to the organization's long-term goals, because, understandably, the CEO will be pre-occupied with their future career prospects. In addition, all too often, a new CEO requires some time to settle down and fashion out a new medium-term strategic direction for the organization

Table 3: Number of States covered

Names of the institutions	2005	2006	2007	Target
LAPO	7	7	8	5-10
DEC	4	7	7	5-10
JDPC	1	3	3	5-10
Total	12	17	18	5-10

As shown in Table 3, LAPO and DEC are already operating in at least 7 States. This is within the range of the project target. On the other hand, JDPC operates in only 3 States. This falls short of the project minimum target of 5 States.

Figure 2: Number of States covered

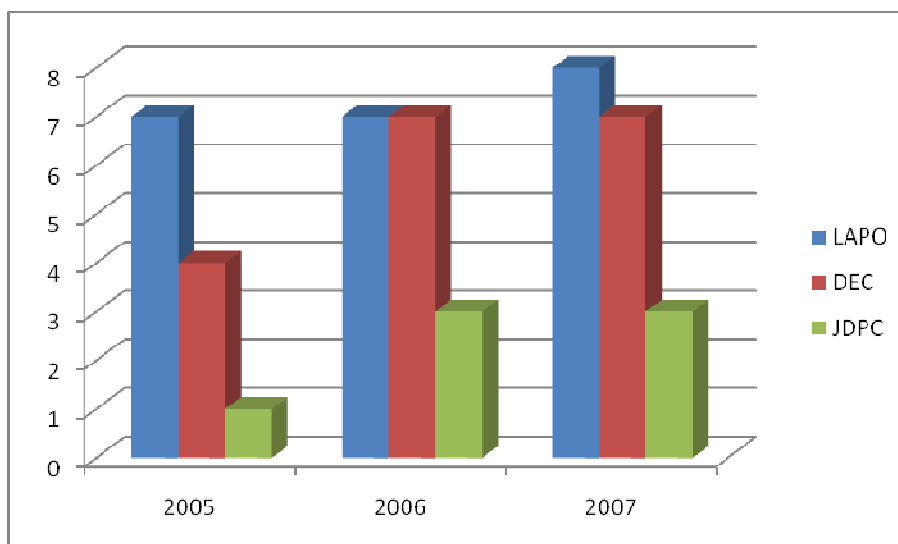
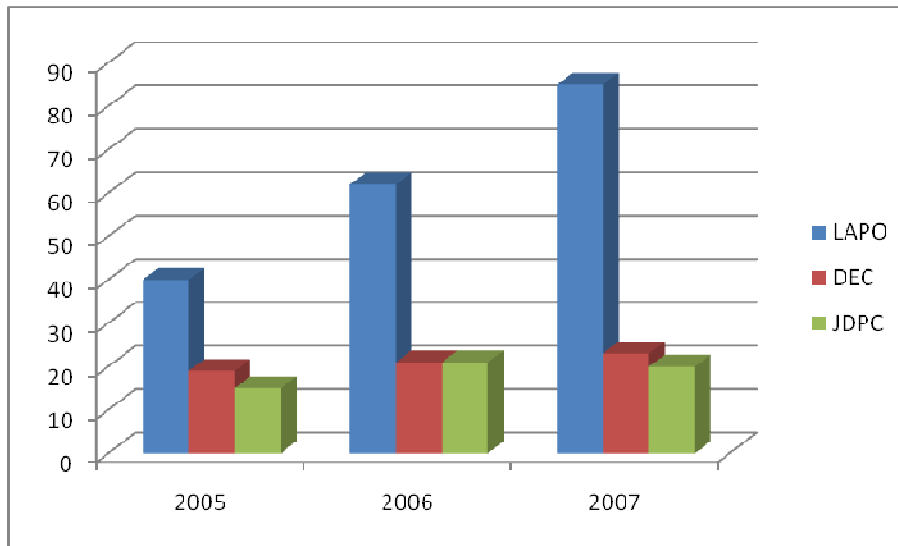


Figure 3: Number of branches

4.1.5.1.3 Governance

It was noted that apart from LAPO, the two other BTIs are still struggling with governance issues. DEC Bauchi and JDPC do not have board members who are knowledgeable about and are in tune with microfinance best practices. Efforts are being made by these two BTIs to reorganize their boards so that board members will have a variety of skills that can be brought to bear in the review of reports of the MFIs while also providing the needed policy oversight and frameworks for operational support to the MFIs.

4.1.5.1.4 Portfolio quality

Table 4: Portfolio quality ratios

Financial ratios	(Notes)	2005	2006	2007
LAPO				
Repayment rate at 30 days	(1)	95,74%	93,00%	93,76%
On-time Portfolio at risk		1,07%	0,01%	1,09%
Portfolio at risk at 30 days		0,54%	0,88%	1,45%
DEC				
Repayment rate at 30 days	(2)	62,00%	95,00%	95,49%
On-time Portfolio at risk		38,00%	10,00%	10,00%
Portfolio at risk at 30 days		15,00%	18,00%	8,00%
GJDP				
Repayment rate at 30 days	(3)	100,00%	100,00%	100,00%
On-time Portfolio at risk	(4)	0,00%	0,00%	0,00%
Portfolio at risk at 30 days		0,00%	0,00%	0,00%
OVER ALL				
Repayment rate at 30 days	(5)	85,91%	96,00%	96,42%
On-time Portfolio at risk	(6)	13,02%	3,34%	3,70%
Portfolio at risk at 30 days		5,18%	6,29%	3,15%

Table 4 indicates the following.

- As at June 2007, the repayment rate at 30 days for the program is 96.42%. This rate is not good enough when compared with the industry standard of 100%. For this indicator, LAPO and DEC fall far behind 93.76% and 95.49% respectively. DJPC's consistent rate of 100% since 2005 is commendable.
- Portfolio at risk at 1 day decreased from 13.02% in 2005 to 3.70% in June 2007. This can be attributable to the training provided the BTIs under the current program. Similarly, portfolio at risk at 30 days decreased from 5.18% in 2005 to 3.15% in June 2007.

Table 5: Sustainability and cost efficiency ratios.

Financial analysis ratio				
Financial ratios	(Notes)	2005	2006	2007
LAPO				
Operational self-sufficiency (Over all)		146%	135%	118%
Financial Self-Sufficiency		106%	91%	90%
Cost of Money lent		0.08	0.11	0.14
Average Loan Size		12,538	14,832	15,984
Number of Loan per Loan Officer		149	258	248
Average Portfolio Per Credit Officer		3,677,209	5,489,014	3,959,320
DEC				
Operational self-sufficiency (Over all)		111%	104%	133.00%
Financial Self-Sufficiency		64%	65%	88.34%
Cost of Money lent		0.19	0.19	0.11
Average Loan Size		8,674	9,247	10,493
Number of Loan per Loan Officer		295	258	286
Average Portfolio Per Credit Officer		2,561,777	2,386,999	2,995,518
GJDP				
Operational self-sufficiency (Over all)		97%	94%	142.17%
Financial Self-Sufficiency		63%	63%	83.65%
Cost of Money lent		0.80	0.13	0.05
Average Loan Size		6,396	6,590	8,289
Number of Loan per Loan Officer		289	253	389
Average Portfolio Per Credit Officer		1,851,387	1,664,946	3,222,849
OVER ALL				
Operational self-sufficiency (Over all)		118%	111%	131%
Financial Self-Sufficiency		78%	73%	87%
Cost of Money lent		0.36	0.14	0.10
Average Loan Size		9,203	10,223	11,589
Number of Loan per Loan Officer		244	256	308
Average Portfolio Per Credit Officer		2,696,791	3,180,320	3,392,562

Whether operational or financial, sustainability issues must be dealt with due diligence under this program. Our review of the reports and field visits to the BTIs revealed that not all the expenses incurred for the microfinance activities are captured in the financial statements presented by the BTIs. DEC and JDPC for example have organizational structures that do not favor a direct allocation of cost to various programs of the NGO. The cost of running the boards, the remuneration for employees performing at the management level, such as the CEOs, the finance Directors, the accountants and auditors as well as the cost of office supplies and consumables are supported by the NGOs. They are not reflected in the cost structure of the microfinance departments. There is no basis for sharing these costs at the moment. The accounting systems in place are unable to handle cost allocation issues. However, based

on the limited information we obtained, we came up with the following conclusions:

- For the whole program, the Operational Self Sufficiency went from 118% in 2005 to 131% in June 2007.
- Financially, the program is 87% sufficient as of June 30, 2007.
- The average loan size increased from ₦9,203 in 2005 to ₦11,589 by June 2007 (an increase of approximately 25.92% in one and half years).
- The cost of money lent decreased from 80 kobo for every 1 Naira lent in 2005 to 10 kobo in June 2007.
- The case load of credit officers grew by 25.92% during the period under review. In fact, it moved slowly from 244 in 2005 to 256 in 2006, before reaching 308 in June 2007.
- The average portfolio per credit officer also grew by 25.79%, moving from ₦2,696,791 in 2005 to ₦3,392,562 in June 2007.

4.1.5.1.5 Management Information Systems

All MFIs use the same manual bookkeeping and loan tracking system provided by ASA to manage their portfolio information, which has many advantages. The system is integrated with accounting in that it generates simplified monthly balance sheets and income statements. Internal controls are built into the system to reduce risk exposure. Systems are simple and user friendly; hence all MFIs have achieved a reasonable level of competence in using them. Information generated by the MIS is used in short term decision-making explicitly for: cash management, cash flow analysis, plans for disbursement, loan officer evaluation, portfolio management, future planning, projections and risk analysis.

The disadvantage of the MIS is that relative to other microfinance record keeping systems, the reporting requirements are heavy (though ironically, for Nigerian MFIs who previously issued receipts to clients, the ASA systems have reduced their paperwork). The systems are comprised of several manual reports - many of which contain redundant information necessary for internal controls. Typically COs spend half of their day filling out detailed reports. The paperwork burden limits COs capacity to manage a higher volume of clients and adds to concerns of CO job tedium and burn out.

LAPO and DEC are currently testing various software in order to select one for their activities. According to ASA, emphasis should not be placed on computerizing the BTIs at this stage. The three institutions could start automating their activities from top down. To do so, they only need EXCEL spread sheets, to process bulk figures that are compiled manually by Credit Officers in the branches.

For the BTIs, computerization should start from the bottom, at the branch level, where transactions are processed manually by CO. They said that most of the errors are made at that level. Full computerization requires qualified staff, available energy, computer equipment and of course the software. For the moment, many branches operate in areas where electricity is not available. The only avenue left is the use of generators which will be too costly for branches.

The evaluation team suggests that proper MIS needs assessment should be conducted in all the BTIs. Concerns such as the volume of transactions, capacity of existing staff, location of branches and funding should be dealt with adequately in order to pave the way for a successful computerization of the institutions. We also believe that the position of ASA should be seriously considered. All the BTIs have recognized that though manual, the ASA methodology introduced clarity and accountability in the day-to-day management. Care should be taken to avoid dragging the institutions back to the starting point.

Professional microfinance software are expensive, and it is recommended that the BTIs and the potential institutions that will be interested in ASA methodology pull their resources together to acquire the best software. Since they use the same methodology, they could also use the same technology. We sincerely believe that this approach will maximize efforts, increase synergy amongst donors funding organizations and avoid duplications.

4.1.5.2 Potential Break through Institutions

Out of the first set of six selected MFIs, none of them has fully adopted the ASA methodology neither have they streamlined their operations with the operational guidelines. Some of the challenges with the adoption of the new methodology by the selected MFIs include the following:

1. Absence of a mentoring program. The adoption of the ASA methodology would be more effective if a deliberate attempt is made to provide on-going mentoring support to the MFIs. It was in realization of this that LAPO went ahead to enter into a technical service agreement with ISHO by seconding one of its staff to assist the MFI with the implementation of the operational guidelines of the ASA methodology.
2. Lack of funding to drive outreach and branch expansion

4.2 Factors affecting successful implementation and results achievement

4.2.1 External factors

Many factors have affected and continue undermining the microfinance industry in Nigeria. The UNDP Microfinance Support Program is not immune to these factors:

- The size of the country. Nigeria is a complex federation of 36 State governments that deal directly with the poor at the grass root level. This microfinance program in Nigeria must take into account the realities on ground at all levels.
- Insecurity. The insecurity in the country, especially in the Niger Delta region.
- Diversity and cross cultural issues. The country has more than 400 different tribes, each with specific culture and beliefs that define their “acceptable business practices”.
- Lack of sufficient expertise in the microfinance industry in the country.

4.2.2 Project related factors

The Microstart pilot project ended in 2003. All participating MFIs adopted the ASA methodology and have strengthened their capacities to provide outstanding microfinance services to the less privileged in Nigeria. The second phase of the program was expected to use the lessons learned from the Microstart project to scale up outreach, improve portfolio management and achieve sustainability. We however noted some issues with the design of the project and its delivery mechanism. We have classified the issues into 3 categories: project commencement, overall management of the program and technical assistance.

Project commencement

- The commencement of the program was delayed due to lack of funds. After several attempts, a new contract with ASA was signed on October 27, 2005 - almost two years after the Microstart project ended. This time lag may have had some negative impact on the sustenance of the positive results attained during the microstart project.
- The project document did not provide sufficient detail for the implementation of the project. The document is, at best, a concept paper underlying lessons learned from the pilot project, achievements expected and resources available at the UNDP level. There was no detailed

framework for the implementation of the project.

- There is an apparent confusion over the role of the CBN in the program. Although monitoring and regulation fall under the direct control of CBN, operational issues such as portfolio management, loan default management etc. should be handled by Microfinance professionals using the best practices available in the industry. It is quite unusual for the DFD of the CBN to be engaged in monitoring the performance of ASA, a professional MFI practitioner.
- Lessons learned from the Microstart pilot project were to be used to define a coherent mechanism to use Microfinance as an acceptable tool to combat poverty in Nigeria. But the lack of consensus among Microfinance stakeholders constitutes a major setback. Many donor agencies and stakeholders do not identify themselves with the program.
- The International Technical Services Provider (ITSP) is supposed to provide the link with all the stakeholders in the entire program and provide first hand mentoring and remediation support to MFIs, share strategic operational and funding issues with other donor agencies and stakeholders; and help build consensus among them. Unfortunately, mid-way into the project, the ITSP is yet to be recruited. The first attempt to fill the position in 2006 was unsuccessful.

Overall management of the program

- Lack of clarity of management and supervisory roles and responsibilities (between ASA, UNDP and CBN)
- Poor MIS for internal follow up and information access for follow up and analysis
- Efficiency of the decision-making process and its applications

Technical assistance

- Nature, characteristics, timeliness, frequency and quality
- Quality of support for capacity building and institutional development

4.3 Strategic positioning and partnerships

Strategically, the UNDP microfinance support program for Nigeria has not lived up to its expectations yet. The Institutional settings, the lack of capacities of key players and the lack of communication have seriously undermined its objectives.

Strategic positioning

What has worked

- The recruitment of the Policy Adviser was instrumental in the development of a legal framework for the Microfinance industry in Nigeria. The UNDP program supported CBN throughout the whole process.
- The support for the development of ASA methodology in the country has helped the BTIs and other institutions to scale up outreach. Based on the ASA approach, LAPO has strengthened its position as the foremost microfinance institution in the country. Currently, other 6 MFIs and at least 1 MFB are exposed to the methodology. Prosperity Microfinance Bank is piloting the methodology in two branches in Benin, Edo State.
- The support for building the capacity in microfinance. Through the UNDP support program, OFID and DFD staff of the CBN have attended the world class microfinance program in Boulder. Exchange visits have been organized to numerous countries, such as Mexico, Uganda, Indonesia, Philippines, India and Pakistan. The costs of these activities were covered by donors' agencies represented on the Microfinance Advisory Board (MAB).

What could be improved upon

- The communication between the UNDP poverty alleviation unit which is running the microfinance program and the DFD department of the CBN is very poor.
- The project began on a wrong footing because no ITSP was appointed. The role of the ITSP was therefore inadvertently shared between the ASA team and the CBN. We are of the opinion that an ITSP is still desirable.
- The number of BTIs used (three) was too small for the program to make the desired impact in the country. In fact, out of the BTIs, only LAPO is capable of performing the role of an LTSP at the end of the program. The net should have been cast little wider, to include more of the institutions which participated in the first phase of the program, and from different geo-political zones of the country.
- There are no staff in the DFD and OFID departments of the CBN that are assigned full-time to the microfinance unit. There is also a high likelihood that staff in these two departments can get transferred to other departments of the CBN.

- The direct involvement of the CBN in the program at the operational level is not desirable. The role of overseeing the overall program at the levels of the BTIs, MFIs, LTSPs as well as at the policy level would have been better handled by an ITSP.
- There was no strategic business plan drafted for the program. The concept document submitted by UNPD is the main document for the program. It is apparent that the CBN does not yet have the capacity to design a microfinance strategic document for the country.

Partnerships

What has worked

- The Central Bank of Nigeria (CBN) is available and willing to support the microfinance industry in the country. By accepting to be the implementation agency, the bank has demonstrated enough commitment to work with development partners and other stakeholders to reduce poverty in Nigeria.
- The Microfinance Advisory Board (MAB) is functional. Although other development partners who attend the meeting feel left out as only the UNDP-funded is discussed at the MAB meetings, information is shared that would better the performance of the program.

What could be improved upon

- The role and responsibility of The Central Bank of Nigeria (CBN) are not clearly defined in the program.
- In order to improve on information sharing during the MAB meetings, the agenda should be expanded to include other microfinance programs being undertaken by other development partners. We noted that the commitment of some development partners to the MAB has dwindled.
- The Community Development and Microfinance Round Table (CDMR) is not operational. A Microfinance network is pivotal to a successful country level program. Efforts should therefore be made to revive the network

The way forward.

- The CBN should continue to serve as the implementing agency of the program. We however suggest that a separate apex body should be set up, outside the CBN, to run the program. This body will report to the MAB through the implementing agency.
- In order to derive the maximum benefit of professional support to the program, an ITSP should be recruited as soon as possible – if possible before the end of this calendar year.
- There is a great need for the drafting of a National Microfinance strategic document for the country that will fit into NEEDS and with inputs from a broad spectrum of stakeholders. The broad framework of the strategy will also assist development partners to identify areas of intervention.
- Two separate networks should be encouraged to operate – one to cater to the needs of the microfinance banks, and the other to bring together all other MFIs, NGOs with microfinance component and cooperative unions, etc. who do not come under the purview of the CBN’s regulation. An umbrella network may later be formed, under which both networks could operate.

4.4 Sustainability of results and exit strategy/post project planning

The sustainability of results of the program will be different from one partner to the other.

For the BTIs:

- LAPO has achieved a lot under the UNDP program. The institution has strengthened its operations by increasing outreach, financial and operational sustainability. LAPO has been able to leverage funds from banks to on-lend to its members. To sustain this level of achievement, the board and management of LAPO should be trained on strategic issues related to the evolving microfinance market in Nigeria. The internal and external audits must be reinforced and their scope widened.
- DEC and JDPC have not achieved that much in term of outreach, but have embodied the ASA methodology which they have implemented. These institutions are socially rooted and their immediate challenges is to separate their microfinance activities from their social undertakings. They need more assistance from ASA in furthering the implementation of the

methodology and increase the outreach. Emphasis should also be placed on transforming DEC and JDPC into MFBs in a genuine and professional way that will not disrupt their social activities and endanger the organizations. Proper coordination of donors' interventions is also a key to maintaining the level of achievements. For example, DEC has signed another services contract with ASA, with funding by Oxfam – to perform similar duties for which they were contracted by UNDP.

- Due to lack of coherent delivery mechanism, the potential BTIs have not yet enjoyed the benefit of the program. For the 6 selected MFIs and others to successfully implement the ASA methodology, operational costs for transferring expertise must be partially supported by the program.
- For all the MFIs involved in the program, the availability of credit fund is critical to sustain achievements. Currently most of the BTIs have increased their outreach but are lacking credit fund to on-lend to clients. Peasant Dragnet, one of the potential BTIs, has even stopped forming new groups, because of its limited capital base.
- Compliance with the microfinance policy is also a challenge for the MFIs participating in the program. Most of them, especially the potential BTIs, will certainly not become Microfinance Banks in a short time. They will not receive as much support as the MFBs. Results already achieved will be jeopardized if these institutions are left out the process.

For CBN:

- Effectiveness of the Microfinance Advisory Board (MAB) is a key to success. A good forum for fruitful discussions will definitely enhance the industry. At the moment, the board does not seem to be an ideal forum for all the stakeholders. The composition of the board and its objectives must be reviewed to bring back all key players on board.
- To sustain this program and others to come, the position of the Microfinance Unit of CBN must be clearly defined. For a maximum efficiency, apex institutions should be established to manage programs under the supervision of CBN.

For UNDP

To sustain results achieved under this program UNDP must do the following:

- Dedicate and train staff to be available for the program. Because of the staff turnover in the poverty alleviation unit, the capacity of the current staff in charge of the program needs to be built.

- Redefine objectives and targets so that they are more understandable and measurable.
- Fund the program until December 2009 for effectiveness.

4.5 Lessons learned

4.5.1 Project level lessons

The mission came out with the following lessons that must be given proper attention in order to reshape the program.

- A coherent National Strategic Plan for microfinance is mandatory for a program that is aimed at piloting the way for an industry crowded with players who have different strategies and methodologies.
- A program without a coordinator has little chance for success. The absence of an ITSP as planned under this program has greatly affected some of the positive outcomes that could have been achieved

4.5.2 Partner-specific lessons

UNDP

- High staff turnover in a unit that is supposed to bring together stakeholders and key players in an industry does not augur well for the program.
- Poor planning and lack of relevant project documents to guide implementation can lead to project failure.
- Funding is crucial for continuous programming.
- The assertion that fewer MFIs serve greater population in the microfinance industry is still true. LAPO alone has made more than 70% of the impact of the program.

CBN

- Microfinance is different from conventional banking. Lack of technical skills could endanger a program and waste scarce resources. Central Banks do not have comparative advantage over others in managing development programs. They are Apex institutions that deal primarily with policy and regulatory issues.

- Poor communication between the CBN and UNDP could lead to poor performance.

The BTIs and potential BTIs

- The simplicity of the ASA model allows for highly decentralized management. This improves communication among the MFI staff, considerably reduces overhead costs and facilitates faster decision making – essential factors for increasing outreach and building savings for the MFIs.
- A hidden danger with even the most experienced MFIs in Nigeria is their continued culture of donor dependency. Not enough attention has been paid to this underlying danger.

4.6 Recommendations

For UNDP support program

- The current UNDP-funded project should be extended by one year. This would give room for the implementation of certain activities that have not been carried out. However, this should not involve the extension of the ASA contract.
- An ITSP is still desirable under this project, and one should be contracted as soon as possible.
- Other credit models should be developed and tested (e.g. COWAN'S ATRB)
- Project indicators should be properly defined and tracking tools should be developed.
- The program should continue building the capacity for the BTIs and the potential BTIs. For LAPO, emphasis should be shifted to strategic issues. One of the immediate challenges of the institution is running a Microfinance Bank and an NGO-MFI at the same time. There is an urgent need to help DEC and JDPC, cope with the new policy. Both institutions have clearly expressed the need to set up stand alone microfinance banks. But our review revealed that that there is a need for a clear cut strategy that will adequately deal with the social and the business aspects of their programs.

- The program should carry out an MIS need assessments in all the BTIs. Concerns such as the volume of transactions, capacity of existing staff, location of branches and costs should be properly considered.
- A study on how to link MFIs to traditional banks must be quickly conducted nationally. It would help comprehend the concerns of the commercial bankers and provide adequate solutions.
- The program should help develop local expertise in the industry. Accounting professionals and other consultants should be trained and encouraged to work with NGO-MFIs and microfinance Banks. On going experience with the three local firms selected as rating agencies should be extended to more consultants.
- Facilitate product development
- Share lessons learned

Recommendations for the Central Bank of Nigeria

- By January 1, 2008, many institutions may not meet the requirements to get converted to Microfinance Banks - for various reasons. DFD should address the needs of MFIs that may not meet the requirements for registration as microfinance banks (e.g. NGOs, CBOs, Cooperative Societies, Thrift Societies and Self-help groups).
- It is advisable for DFD not to be directly involved in program management. As a department of CBN, it does not have the flexibility to serve all the stakeholders as desired. The evaluation team suggests that an apex organization that will be operating from outside of the offices of CBN be established to manage the UNDP Microfinance Support Program for Nigeria. CBN would still keep the position of the implementation agency. But the program will be coordinated by the ITSP who will report to the MAB through DFD.
- The microfinance Fund should be run by an apex institution under the authority of CBN. It should be managed by microfinance professionals. It is very important that CBN explores other avenues for managing the microfinance fund. In other countries, similar funds managed by either government agencies or Central Banks have not performed very well. The involvement of traditional bankers (sitting on the board) is very instrumental
- Engage in microfinance research and data collection
- Advocate and disseminate information on microfinance best practices
- Conduct and/or support training programs

- Provision of technical expertise in appropriate fields
- Provision of economic intelligence for the microfinance sector
- Undertake promotional activities to support microfinance
- Avoid channeling credit directly to clients or indirectly through MFIs and MFBs
- Manage government or donor microfinance programs only where it:
 - has clear comparative advantage in doing so
 - is able to maintain independence in the process
 - is not financially committed
 - can acquire and deploy the necessary expertise and
 - is prepared to adopt objective and transparent procedures

Recommendations for the Microfinance Industry in Nigeria

- Develop a national microfinance strategy that will fit into NEEDS and with inputs from a broad spectrum of stakeholders.
- The proposed Microfinance development fund should not be domiciled in the CBN. Rather, a separate entity should be saddled with the responsibility of managing the fund.
- Proper donor coordination
- If an institution provides non-financial services that are not an integral part of its financial services delivery, a cost allocation method must be used to present the income, expenses, assets, and liabilities associated with those services separately. It is therefore recommended that clear segmentation be maintained between microfinance program and social development programs & other commercial activities.
- The format for the presentation of financial statements should be strictly followed (e.g. disclosure of grants and donations)
- Two separate networks should be encouraged to operate – one to cater to the needs of the microfinance banks, and the other to bring together all other MFIs who do not come under the purview of CBN’s regulation. An umbrella network may later be formed, under which both networks could operate.

Annex 1: Level of achievement of targets as at September 2007

Intended Outputs	Output targets	Levels of accomplishment
<p>1 Breakthrough MFIs (DEC, JDPC and LAPO) have increased FSS, extended their outreach beyond their usual regional boundaries and transformed into LTSPs</p>	<p>For years 2004 – 2007</p> <p>1.1 56,000 active clients by end of year one 80,000 active clients by end of year two 106,000 active clients by end of year three</p> <p>1.2 Branch extensions operational in 5 – 10 States</p> <p>1.3 Donor coordination and partnership among stakeholders strengthened</p>	<ul style="list-style-type: none"> • Except for LAPO, the two other institutions have not met the outreach targets set by the program. As of June 2007, LAPO DEC and JDPC had 95,596, 26,038 and 27,503 clients respectively. • As of June 2007, LAPO, DEC and JDPC were operating in 8, 7 and 3 States respectively. LAPO and DEC are within the range set by the program. • The MAB was established and is functional. This has however not been a good forum for donor coordination and partnership.

Intended Outputs	Output targets	Levels of accomplishment
<p>2. At least 5 potential breakthrough MFIs have reached FSS and have increased their outreach</p>	<p>For years 2004 – 2007</p> <p>2.1 New methodology adopted and implemented by MFIs. At least 10 new branches established and 25,000 active clients assisted with microfinance services</p> <p>2.2 Old branches of 5 newly selected MFIs transform to new methodology and operations streamlined</p> <p>2.3 At least 2/3 of selected MFIs have adopted international standards in governance, systems and policies</p>	<ul style="list-style-type: none"> • ASA methodology was introduced in 2000 and is being implemented by the 3 breakthrough MFIs and 6 other MFIs. A total of 30 new branches were established (LAPO 22, DEC 2 and JDPC 6). • There was no system in place to capture relevant financial and operational data from the potential BTIs. • A total of 6 new MFIs have been selected and are receiving training on ASA methodology. But none of them has adopted the methodology yet. The mechanism of transfer of skills on the methodology from the BTIs to the potential MFIs has not yet been firmed up. • Governance is poor in all 6 MFIs selected as potential Breakthrough institutions. The MFIs are yet to adopt international standards in governance, systems and policies.

Intended Outputs	Output targets	Levels of accomplishment
<p>3 LTSPs are strengthened to provide more and better services to their clientele</p>	<p>For years 2005 – 2007</p> <p>3.1 All LTSPs operate clear governance structure and apply commercial approach</p> <p>3.2 More MFIs receive technical assistance and improve on their services</p> <p>3.3 Increase in number of micro enterprises and income of micro entrepreneurs</p> <p>3.4 Increase in number and variety of services</p> <p>3.5 Clients apply good practice principles</p>	<ul style="list-style-type: none"> • With the exception of LAPO, the two other LTSPs (DEC and JDPC) are experiencing severe governance problems. Leadership is both socially and religiously driven. • The three BTIs have received intensive technical assistance on operational activities. But they are lacking expertise in strategic management. • As of June 2007, LAPO, DEC and JDPC have increased their clientele to 51 897, 5 364 and 13 317 respectively. Number of micro enterprises has certainly increased. There was no tracking tool designed to collect relevant data on the income of micro entrepreneurs.
<p>4 The CDMR is re-established and fulfils its function as a professional association of MFIs</p>	<p>For years 2004 – 2007</p> <p>4.1 Quarterly CDMR meetings are held</p> <p>4.2 Request from at least 80 registered MFIs processed and support services provided</p> <p>4.3 Improved MFI administrative services and reduction in administrative costs</p>	<p>CDMR is moribund. The network is crippled by a multitude of problems and since 2004. This program has not made any effort to revive the network.</p>

Intended Outputs	Output targets	Levels of accomplishment
5 Microfinance Support Unit established and operationalised in CBN	<p>For years 2004 – 2007</p> <p>5.1 The Microfinance Support Unit is recognized as the focal point in CBN for microfinance by stakeholders</p> <p>5.2 Microfinance support infrastructure elements are established (e.g. credit bureau, etc.)</p> <p>5.3 A Microfinance sector database operational in CBN</p> <p>5.4 A conducive regulatory and supervisory framework operationalised</p>	<ul style="list-style-type: none"> • The unit is established but not yet recognized as the focal point for microfinance by all the stakeholders. • Credit bureau and Microfinance Fund not yet established • Database of microfinance operators not yet established. • The microfinance policy was launched in December 2005 and is operational.

Annex 2

Terms of Reference

Mid term Evaluation of the project "Support to Development of a Sustainable Microfinance Sector"

1. Introduction

The Government of Nigeria identified microfinance as an effective tool in achieving the three objectives of (a) a strong and focused emphasis on economic growth (b) better access by the poor to social services and adequate infrastructure; and (c) targeted interventions to protect low-income populations or the most vulnerable, because it enables poor people to expand their businesses, increase their revenues, and augment employment, thereby contributing to the economic development of the country.

For the first time in Nigeria's history, a microfinance policy was approved and launched in December 2005, with the support of UNDP. Continuing this support, and as part of its assistance to Nigeria, UNDP, in collaboration with the Government designed a Microfinance Support Project to enhance capacity within the sector, improve outreach, access and regulation. The project was launched in 2004 with a global budget of \$3.2m. Actual program implementation began in 2005 with the commencement of training of the break through institutions (BTI) identified during the closed MicroStart Project, and the hire of the Policy Advisor. In the context of the project UNDP aims to promote access to financial and productive assets for poverty reduction. This is necessitated by the low coverage of microfinance interventions and weak capacity for sustainable microfinance delivery.

At the institutional level, the project aims to strengthen the management and operational capacities of selected Microfinance Institutions (MFIs) and expand their outreach while at the intermediate level it was aimed at supporting the transformation of market leaders into Local Technical Service Provider (LTSPs) who can expand the outreach of Microfinance institutions in the country.

It also includes a policy component targeted at improving the capacity of the Central Bank of Nigeria (CBN) to operationalize and implement the Microfinance Policy through the secondment of a Policy Advisor to the CBN.

The project design provided for an International Technical Service Provider (ITSP) who would oversee and supervise all the inputs. While it was earlier envisaged that the initiation of the work would start once the overall ITSP was recruited and that the ITSP

would in addition be responsible for disseminating microfinance products other than the ASA (Association for Social Advancement) methodology, due to the difficulties with identifying an appropriate ITSP, which is yet to be recruited, the UNDP country office (CO) decided to proceed with identifying the other critical inputs, i.e. the Policy Advisor to the CBN and ASA.

The evaluation will have to judge progress based on the original document which included an ITSP. There was no adjustment in view of the anticipation of hiring an ITSP which recruitment exercise was conducted twice.

The policy advisor to the CBN was recruited. Other development Partners including the USAID, Ford Foundation and GTZ have also provided capacity building support to the CBN for policy implementation.

The recruitment of ASA was to ensure the continued dissemination of the ASA methodology. Under the project, three MFIs regarded as breakthrough from the earlier support provided during the 5th CP MicroStart Project of 2003 – 2005 which built on the Microstart Phase 1 to provide support to promising MFIs on ASA methodology. The three MFIs selected for the current intervention (LAPO, DEC, and JDPC), are to be further trained on the ASA/Bangladesh microfinance methodology. UNDP contracted ASA to further build up their financial management and technical capacity, as well as their ability to replicate the methodology and training to others as Local Technical Service Providers.

Under the project, UNDP furthermore proceeded with the establishment of a Microfinance Advisory Board to help in the coordination of the activities in the sector.

2. Objectives of the evaluation

The project document anticipated a Mid Term Evaluation halfway through the project life. This is timely as the implementation of the policy has been more challenging than anticipated.

The current project started in the last quarter of 2005. to date 3 MFIs (breakthrough Institutions from the Microstart project) have been trained extensively on ASA methodology. A policy advisor was seconded to CBN to provide policy guidance to CBN on microfinance practice. This support has resulted in the development and production of the Microfinance policy and regulatory framework.

The policy provides for private sector led growth in the microfinance sector but while the financial sector reforms and the Microfinance Policy have opened the space for new entrants and conversion of existing institutions into regulated Microfinance banks, uptake has been slow and CBN capacity enhancement has not kept pace with the requirement thus slowing down licensing of MFBs.

The evaluation should examine the relevance and effectiveness of UNDP's support as well as validate the initial assessment of relevance. It should also examine the efficiency and effectiveness of UNDP support and provide advice on any needed adjustments in the on-going program/project, as well as inform future programming. The evaluation should also provide feedback on the success or failure of assistance, including policy advice, advocacy, capacity development, so as to enhance the project implementation.

Specifically, it should evaluate the achievements of the project and its components, give advice on the issues related to the establishment of the ITSP, and especially focus on the way forward in the context of the project and beyond so as to enhance contribution of UNDP towards a sustainable microfinance sector in Nigeria.

The evaluation should also help to position UNDP support in relation to the other development actors in the sector with the aim of establishing a more coordinated support to Microfinance.

The main stakeholders of the evaluation should be: United Nation Development Program (UNDP), ASA, Central Bank of Nigeria (CBN), National Planning Commission (NPC), Policy Advisor, the 3 Breakthrough Institutions (BTIs, National Poverty Alleviation Program (NAPEP), and donor agencies like UK Department for International Development (DFID), World Bank (WB), International Fund for Agricultural Development (IFAD) and European Union (EU).

3. Scope of the evaluation: (refer to log frame matrix)

The consultants will be required to assess the progress made so far on the microfinance project and the contribution to the outcomes and make recommendations to UNDP. They will carry out these specific tasks:

The consultancy will focus inter alia on examining the strategies adopted by:

- ASA
- The policy advisor

4.7 3.1. Results achievement to date together with an assessment of the original project design and intent. The evaluation should also comment on the continued relevance of the original project design and suggest changes and alterations, as deemed appropriate.

4.8 3.2. Factors affecting successful implementation and results achievement including the project management and monitoring arrangements/mechanisms

4.9 3.3. Strategic positioning and partnerships

4.10 3.4. Sustainability of results and exit strategy/Post Project Planning

The expected outcome of this mid-term evaluation is a strategic review of project performance to date, in order to:

- (i) Provide project management and stakeholders with recommendations (a) capturing additional opportunities, as well as (b) for corrective actions to resolve outstanding issues and improve project performance for the remainder of the project duration.
- (ii) Help project management and stakeholders assess the extent to which the broader policy environment remains conducive to replication of the lessons being learnt from project implementation and/or identify exit strategies
- (iii) Analyze UNDP's technical and institutional support to MFIs, the institutionalization of Local Technical Service Provision, the networking and the MF Policy implementation.
- (iv) Take stock of whether adequate data is being collected that will be of value for impact assessment at the final evaluation stage. This will involve assessing whether sufficient time and resources are being included for monitoring of project progress and collection of key data and whether the project has a clear sense of indicators of progress and ways and means of measuring such progress.

4. Organization of the Evaluation

The evaluation will be undertaken by a team of two consultants – one international one local - with at least a Masters degree in economics, MBA or relevant degrees. The consultants must in addition possess the following attributes:

Profile and responsibilities of consultants

4.11 International Consultant

4.12 Profile

- Must have at least ten years of practical international experience and up to date knowledge in the microfinance sector, preferably in Africa
- A minimum of five years of microfinance management and/or consulting experience
- Must have evaluation experience in microfinance
- Must have extensive experience in successful donor funded microfinance interventions
- Extensive microfinance training and technical assistance experience

- Comprehensive knowledge of CGAP benchmarks and industry best practices
- Proven record in strategic thinking and policy and evaluation work
- Relevant microfinance experience at the country/regional level
- Experience at the country wide sector level/understanding of building inclusive financial sectors, preferably in Africa.
- Excellent report writing and communication skills in English
- Ability to work in team and in multicultural situations

4.12.1.1.1.1.1.1 *Responsibilities*

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

4.12.1.1.1.1.2 Local Consultant

Profile

- A minimum of three years of microfinance management experience
- Microfinance training and technical experience
- Knowledge of CGAP benchmarks and industry best practices

Responsibilities

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

Evaluation methodology

The consultants will determine the methodology for the evaluation, together formulating the key evaluation questions, using best practice evaluation planning and methodologies, which will include, among other things, key informant interviews, focus group discussions with clients, questionnaires, documentation review, as appropriate.

As far as possible the evaluation team will triangulate evaluation findings, using multiple sources/methodologies. The evaluation will:

- (v) Interview relevant stakeholders (CBN and NPC, ASA, UNDP policy advisor, NAPEP), and the three breakthrough MFIs) to assess the achievements, potentials and constraints of the project and its components.
 - (vi) Interview other donors (esp. DFID, WB, GTZ and (EU)) and UN agencies (esp. IFAD active in the MF sector to gain an understanding of the current support being provided by the international community to the MF sector in Nigeria.
 - (vii) Review relevant related documents including but not limited to the list below:
 - a. Microfinance Policy and Regulation
 - b. Microstart Evaluation Report
 - c. Project document, project reports, and work plans
 - d. MAB Minutes
 - e. CBN reports
 - f. ITSP Request for Proposal (original TORs and revised TORs)
 - g. Microfinance documents (project documents and study reports) by other development partners
 - h. NEEDS, Draft NEEDS II and a Sample of State Economic Empowerment Development Strategy (SEEDS)
- All these documents will need to be collected and provided electronically to the team leader well before the start of the evaluation.
- (viii) Present the outcome of the evaluation of the project components to stakeholders in PowerPoint and organize Microfinance Advisory Board meeting MAB meeting around the findings of the mid term evaluation.
 - (ix) Present final report

These tasks will be carried out mainly at federal level. The three breakthrough MFIs will be visited in their project location (Bauchi, Edo and Ondo States).

UNDP CO project focal point will minute the key points and decision taken at this meeting so the consultants will take note of them and finalize the report.

Duration

- 3 weeks, in August 2007.

Home country preparation	4 days
Nigeria interview and report writing (3 days in the capital 7 days in the field and two days for the MAB and CO debriefing.	16days
Final report writing home country	5 days
Total	25 days

5. Deliverables

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

- Aide-mémoire: A summary of 10-15 pages of key evaluation findings and recommendations prepared towards the end of the evaluation and submitted to UNDP and UNCDF;
- Draft evaluation report and evaluation summary: The international consultant is responsible for consolidating the inputs of team members, and taking into consideration comments received at the in-country evaluation consultation meeting, to produce a report covering an assessment of the projects' components; suggestions for the way forward to regarding UNDP's support to the microfinance sector under the current project;

The main report should not be more than 40 pages, and should have an **executive summary** which is different from the aide-mémoire. It should be submitted in hard and electronic copies before the debriefing with UNDP and stakeholders and they will provide their feedback in written form;
- Debriefing with UNDP and presentation to stakeholders; Present the outcome of the evaluation of the project components in hard copies (soft copies to UNDP) to stakeholders and organize MAB meeting around the findings of the mid term evaluation; The presentation should be circulated before hand and the stakeholders will provide their feedback verbally and where possible in written form by close of business on the day following the presentation.
- Final evaluation report and evaluation summary: Based on comments received on the draft evaluation report, and at the evaluation debriefing, the

international consultant will finalise the evaluation and summary, with input from other evaluation team members, as required, and submit the final evaluation report and summary to the UNDP and UNCDF Evaluation Advisor within five days of the receipt of the minutes of the evaluation debriefing, or by the agreed date;

- Present soft and hard copies of final report based on the template included in the TORs.

The evaluation team's contractual obligations are complete once UNDP has reviewed and approved the final evaluation report for quality and completeness as per the TOR.

6. Management and Reporting System

The evaluation is commissioned by UNDP Country Office in Nigeria which will recruit the consultants and manage the evaluation exercise with the support of UNCDF Regional Unit for West and Central Africa based in Senegal.

The consultants shall report to the Deputy Resident Representative (Program) through the Team Leader (Poverty) who handles the day to day management of consultants' activities. The consultants will be briefed in an initial meeting with the UNDP team. The team leader for the consultancy shall be responsible for finalizing the report. Therefore he will have a preliminary brief with the management of the CO, and a debriefing meeting to present overall findings for inputs and comments.

The draft report will be presented to members of MAB in advance of a scheduled meeting, while comments and input will be documented during the meeting for the consultants incorporation into the final document.

7. Management response to evaluation

Management input will be collated by email, and during meetings.

The draft report will be presented to members of MAB in advance of a scheduled meeting, while comments and input will be documented during the meeting for the consultants incorporation into the final document.

Annex 1: Report Template

Length: To better support use of the evaluation, the report should not exceed 40 pages,

plus annexes.

6. Executive summary

7. Purpose of the evaluation

- 3.1 Restate the purpose of the mid-term project evaluation
- 3.1 How this evaluation fits into project cycle and project planning/review activities

8. Evaluation methodology

- 3.1 Methods used
- 3.1 Workplan
- 3.1 Team composition

9. Background

- Country context (policy, institutional environment with relevance to UNDP program intervention)
- Project rationale (local demand, market niche, partners' comparative advantage, expected added value of project, partnerships, etc – as foreseen in project document)
- Project status (implementation, financial)

10. Evaluation

This section of the report to be structured as per the scope of the evaluation outlined in TOR (Section 3).

5.1. Results achievement

- Include table listing development and immediate objectives, outputs and indicators. Include end-of-project targets and latest data on target achievements to date.
- Output achievements (with reference to Annual workplan, and evaluative evidence)
- Likelihood of outcome/immediate objective and development objective achievement
- Other critical issues related to results achievement

5.2. Factors affecting successful implementation and results achievement

- External factors
- Project-related factors

5.3. Strategic positioning and partnerships

5.4. Sustainability of results and exit strategy/post project planning

5.5. Lessons

Extract critical lessons at two levels:

- Project-level lessons
- Partner-specific lessons

5.6. Recommendations

Make recommendations to improve the project based on the evaluation and lessons.

Structure according to sections 4.1-4.4, plus any additional recommendations.

Annexes

To include, at minimum:

- Evaluation Follow-up Matrix (template to be provided)
- TOR
- List of people interviewed/ focus group discussions, etc
- References

Annex 3

List of Persons Interviewed

1. A. Adeleke, Senior Manager, Microfinance Development Office, CBN
2. Adetayo Funmito A, Finance Analyst, CGEE (JDPC)
3. Adhiambo P. Odaga, Country Representative, Ford Foundation
4. Adiya Ode, Team Leader, Poverty Alleviation Unit, UNDP Nigeria
5. Akin Akintola, Executive Director, Community Development Foundation
6. Alexander N. Enyinnah, Microfinance Consultant, UNDP Nigeria
7. Alice Ola-Daniels, Head, Business Development, Prosperity Microfinance Bank
8. Amen Akenbor Kate, Operations Head, LAPO
9. Bakari Pamela Bello, Economist, USAID Nigeria REFORMS Project
10. Bunmi Lawson, Managing Director/CEO, ACCION Microfinance Bank Limited
11. Chinwe Onwusowulo, Assistant Manager, First Bank of Nigeria Plc
12. Dan Mou, Director, Monitoring and Evaluation, NAPEP
13. Dave Odigie, Credit Specialist, USAID Nigeria MARKETS Project
14. Deji Fisho, Managing Director, Fortis Microfinance Bank
15. Emeka Ile, Team Leader, World Bank MSME Project
16. Ezekiel O. Olaniyi, Secretary/Legal Adviser, Prosperity Microfinance Bank Ltd
17. Farouk Kurawa, Business Services Director, USAID Nigeria MARKETS Project
18. Fatimah Sada, Program Analyst, Poverty Alleviation Unit, UNDP Nigeria
19. Godwin Ehigiamusoe, Executive Director, LAPO
20. Hadiza Maina, Senior Manager, Microfinance Development Office, CBN
21. Helen Abah, Area Manager, Development Exchange Centre, Bauchi
22. Henry Nwauwba, Director, Fortis Microfinance Bank
23. Imafidon Kingsley, Divisional Manager, LAPO
24. Imke Bolten, Adviser Financial services, German Technical Cooperation
25. J. B. Kpina, Deputy Director, MIS, NAPEP
26. Jan Wimaladharma, DFID Nigeria

27. Joe Alegieno, Deputy Director and Head, Microfinance Division, CBN
28. Jubli Charles Makka, Program Manager, Development Exchange Centre, Bauchi
29. Lohzing Selbar, Portfolio Manager, MIS, Development Exchange Centre, Bauchi
30. Lois Juma, Manager, Microfinance Management Office, CBN
31. M. A. Olaitan, Head, Microfinance Management Office, CBN
32. Marvis Kofi Iboje, DGM, Head (Credit) Up-Country Branches, Zenith Bank Plc
33. Mary Symmonds, Deputy Resident Representative (Program) UNDP Nigeria
34. Nelson Rema, Microfinance Consultant, UNDP Nigeria
35. Niran Oluyide, Head of Operations, Fortis Microfinance Bank
36. Noruwa O. Victor, Cross Border Expansion Supervisor, LAPO
37. O. J. Tokode, Assistant Director, Head, Microfinance Management Office, CBN
38. Ogujiuba Kanayo, Deputy Chief of Party, USAID Nigeria REFORMS Project
39. Ogunnpebi Florence, Head/Coordinator, Microfinance, CGEE (JDPC)
40. Okorie Joshua, Head - IT, Prosperity Microfinance Bank Ltd
41. Ola Oyelola, Executive Director, North, First Bank of Nigeria Plc
42. Olufolakemi Daudu, Coordinator, Peasant Dragnet
43. Olusanya Adebayo, Senior Manager, Peasant Dragnet
44. P. A. S. Bankole, Credit Risk Manager, Prosperity Microfinance Bank Ltd
45. Pauline Nsa, Assistant General Manager, First Bank of Nigeria Plc
46. Peter T. Ologunagba, Financial Services Officer, German Technical Cooperation
47. Peterson Ekhaton, Head, Human Resources, Prosperity Microfinance Bank Ltd
48. S. A. Faseyi, Deputy Director, Research and Evaluation, NAPEP
49. Sarah D. Kefas, Head of Microfinance, Development Exchange Centre
50. Sushil Roy, Executive Vice President, ASA
51. Taiwo Olayinka, Assistant Coordinator Microfinance, CGEE (JDPC)
52. Vincent Nwuchiola, PA to the Chairman, Prosperity Microfinance Bank Ltd
53. Wale Sanya, Chief Financial Officer, ACCION Microfinance Bank Limited
54. Wole Aluko, Assistant Director, Monitoring, NAPEP

Annex 4

References

1. The Economic Intelligence Unit (August, 2007) Nigeria Country Report. London,
2. CBN (2007) Annual Report and Statement of Accounts for the year ended 31st December, 2006
3. CBN (2006) Annual Report and Statement of Accounts for the year ended 31st December, 2005
4. USAID Nigeria REFORMS project (2006) *Resource Gaps Assessment of the Development Finance Department of the Central Bank of Nigeria for Implementing the Microfinance Policy, Regulatory and Supervisory Framework for Nigeria*
5. Anyanwu, C. M. (2004) *Microfinance Institutions in Nigeria: Policy, Practice and Potentials*. Paper presented at the G24 Workshop on "Constraints to Growth in Sub Saharan Africa" Pretoria, South Africa.