

Evaluation Summary

Procredit – Upscaling to meso-finance

Country: **Ghana**

Sector: **Finance**

Evaluator: **Ayani NL**

Date of the evaluation: **April 2018**

Key data on AFD's support

Project number: CGH 1087

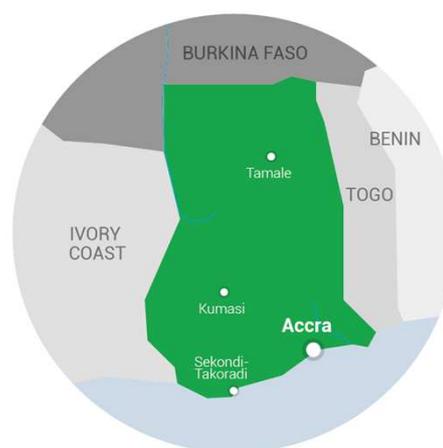
Amount: 900 K€ in grant

Disbursement rate: 100%

Signature of financing agreement: November 2009

Completion date: March 2014

Total duration: 4 years and 4 months



Context

The core objective of the project was to contribute to the **economic development and poverty reduction of Ghana by increasing access of meso-enterprises to finance** which were assumed to be at the time underserved by financial institutions in the country.

Actors and operating method

Pro Credit Ghana.

Support for Technical assistance (TA) measures provided by internal TA units.

Objectives

1. **To create a specialized department dedicated to meso-finance.**
2. **To contribute to job creation and added value increase obtained from product transformation activities.**
3. **To develop the know-how within ProCredit in the area of small business credits for monitoring and evaluation purposes.**
4. **To develop specialized technical assistance to follow up the target companies and reduce the risk of loan delinquency.**
5. **To disseminate good practices in the area of Small and medium enterprises (SME), in meso-financing and in Ghana.**

Expected outputs

- **39 SME officers**
- **33M GCH SME portfolio**
- **1 065 SME loans**
- **Average 21-month maturity**
- **35 – 40% interest rate**
- **> 50% of the total loan portfolio in volume**

Performance assessment

Relevance

The project was **relevant** to the Government of Ghana (GoG) priorities outlined in the Ghana Poverty reduction strategy paper (PRSP), one of which was **to reduce poverty by creating a more diversified financial sector and improving access to finance**.

AFD already had a meso-finance strategy in place. Ghana was one of the six target countries defined in this strategy. The project was also complementary to other AFD activities in Ghana at the time.

Effectiveness

ProCredit greatly exceeded the majority of project targets. ProCredit had 2,267 active Small and medium enterprises (SME) loans at the end of the project, representing 97.3% of its overall portfolio in volume. ProCredit successfully transitioned to an SME lender. It was then bought out by Fidelity Bank.

ProCredit set up a specialized desk (unit) and staffed the unit with 9 Customer relationship managers (CRMs) who were appropriately trained by the on-site Technical assistance (TA) expert. **Know-how was created** within ProCredit.

During the project, ProCredit refined the SME loan processing procedures and adapted them to local conditions. The fact that **other financial institutions started poaching staff from ProCredit** is another indication that their staff was well trained.

Efficiency

The project resources were converted into results in an **optimal manner** – the project implementation **conformed to the budget**, the activities were rolled out **in accordance with the work plan**, and the **targets were overachieved** (in advance of the mid-term evaluation).

Additional efficiency gains were made by **supporting a known entity** (ProCredit Holding) and using **strong technical assistance providers** that already had experience with the partner (ProCredit Ghana) and already had expertise in the subject matter (SME lending).

Impact

The development impacts were **not documented**. There was no data collected by the project or partner on job creation or value adding to SME clients' businesses.

However, if we assume that additional lending was followed by positive impacts the project unfolded considerable positive impact according to its strong outcomes.

Sustainability

The institutional changes brought about by the project are **sustainable**, in that the **SME lending is still a focus of the institution** (now Fidelity Bank). Fidelity Bank is the sixth largest bank in Ghana in operating assets, and its SME portfolio is reportedly 25% by volume. **Fidelity Bank continues to invest in improving the quality of its SME lending**.

Added value of AFD's contribution

AFD contributed to the **building of capacity** of a financial institution and its **understanding of a new market/clientele** (SME borrowers).

AFD's influence on local actors was limited to the ProCredit project, and beyond the results of the project, there were **no noticeable impacts of AFD in other areas**.

The strategy of ProCredit to address the financial needs of SMEs was already determined before this project was established. AFD contributed to ProCredit's ability to do so with this project.

Conclusions and lessons learnt

- **Working with known entities** (as AFD had previously worked with other ProCredit entities) **helps reduce the risk of project failure**.
- **ProCredit learned** that an SME portfolios carry a certain amount of risk, and that mitigating this risk requires more sophisticated and coordinated methods than a microfinance portfolio.
- **Institutional reorganizations** (which ProCredit went through in 2012-2013) **can have a negative impact on portfolios**.
- **Construction and transport sectors are riskier than other SME sectors**, especially for SMEs contracted to government projects.