Executive Summary of Evaluation

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<th>Name of Evaluation</th>
<th>End-of-Program Evaluation of the IFC Africa Leasing Facility FINAL REPORT</th>
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<td>Date of Final Report of Evaluation</td>
<td>December, 2012</td>
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<tr>
<td>Date of this Executive Summary</td>
<td>July 21, 2014</td>
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<tr>
<td>Number of pages of this Executive Summary</td>
<td>6</td>
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<tr>
<td>Modifications from original Executive Summary</td>
<td>Without Modifications</td>
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<td>Executive Summary Approved for public disclosure by (name) on (date)</td>
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Background

The International Finance Corporation (IFC) launched the IFC SSA Leasing (or Africa Leasing Facility or ALF) in January 2008 to introduce and promote the role of leasing as an innovative and alternative financial mechanism for businesses in Sub-Saharan African countries, by facilitating access to finance for SMEs. The main goal of ALF is to increase the volume of lease transactions carried out in the region.

The project is managed by IFC’s Private Enterprise Partnership for Africa (PEP Africa), funded by IFC and the Swiss government (State Secretariat for Economic Affairs – SECO). The approach of ALF is to deploy integrated and flexible advisory services, aimed at creating the enabling environment for the leasing sector, raising public awareness, building the capacity for lessors and other stakeholders, and mobilization of investment capital. The project cycle was initially from January 2008 to June 2010 and was extended to June 2012.

Objectives

IFC commissioned AYANI BV—Inclusive Financial Sector Consultants to undertake an independent end-of-program evaluation. The purpose of the evaluation is to provide IFC, SECO and others with an assessment of the implementation process of the leasing advisory services and business model and to identify the results achieved for the targeted outputs and outcomes. The project was also to be assessed under the issues of Relevance and Rationale, Effectiveness, Efficiency and Accountability, Sustainability and Alternatives/Improvements.

Analysis

Methodology

There are 15 countries supported by ALF. It was agreed with IFC that the evaluation would focus on five countries with a mix of advance and early stage of development, regions, and Francophone and Anglophone countries. The five countries selected for close evaluation were Cameroon, Liberia, Senegal, Sierra Leone, and Tanzania. Case studies were developed for these five countries. For the remaining 10 countries, AYANI examined written materials and reports.
The evaluation was conducted from June to July 2012 after the approval of an Inception Report in May 2012. Sources of information include the ALF team, recipients of ALF advisory services and investments, legislative or regulatory authorities, business associations, and key stakeholders such as IFC and SECO. Forty two (42) persons were consulted for the evaluation of which 10 come from IFC and 32 from outside IFC. Data collection methods were interviews, focus group discussions, a document and literature review, and secondary data analysis.

**Project Outputs**

ALF exceeded the expected outputs in both leasing sector development and capacity-building components of the project. Activities under leasing sector development include drafting of leasing laws, leasing regulations and tax laws, publishing market reports, and raising public awareness on leasing. The capacity-building components include trainings for existing, new, or potential leasing institutions and providing advisory services to various stakeholders.

**Project Outcomes**

The expected outcomes of ALF are the enactment of at least 10 leasing laws or regulations, the adoption and implementation of IFC recommendations, and to attain a volume of 6,090 lease transactions with a value of at least US $609 Million.

ALF exceeded the expected outcomes relating to enactment of legislation and regulations as well as implementation of IFC recommendations. However, achievement of target lease volumes was unclear at the time of evaluation due to lack of data. The project had until October 2012 to complete the data collection.

**Facilitated Investments**

One of the project impact indicators is the value of investments mobilized for the leasing markets. As of July 2012, ALF has generated a total of US $26.9 Million for 5 ALF countries and supported the IFC investment team with technical assistance for investment of US $44 Million for non-ALF countries. Development Financial Institutions (DFIs) were mobilized to participate with about US $4M of investments, which is 15% of the total leasing investments for ALF countries.

**Evaluation Issue 1: Relevance and Rationale**

*Finding 1: The project is highly relevant as ALF is working in economies growing fast off a low base where access to finance is a real issue. The project's timing is regarded well by stakeholders.*

High collateral requirements of financial institutions, particularly banks, inhibit SMEs from obtaining loans to sustain and grow their businesses. Leasing conforms to the strategic objectives of IFC and the lead donor agency, SECO, to promote investments, develop the private sector, and promote the SMEs.

*Finding 2: Even if it is not a “unique” role, there is generally no competition to IFC in developing leasing markets in most of the ALF selected countries. This increases its relevance.*
An identical leasing initiative does not exist in any of the 15 countries. Some stakeholders have indicated that the level of leasing sector development in their countries would not have been achieved without IFC.

**Finding 3: ALF adds value to private sector and financial sector development.**
ALF interventions enhanced financial sector policies that create a better enabling environment for financial institutions to flourish and at the same time built the capacity of financial service providers and SME clients.

**Finding 4: In countries where leasing is at an early stage, leasing development is seen to stall or will be delayed if ALF does not continue or if there’s no similar initiative.**
In Liberia and Sierra Leone, where the leasing market is being created, the catalytic role that ALF has played is considered indispensable. According to respondents, stakeholders may not gravitate to push a common leasing agenda in the absence of an initiative like ALF.

**Finding 5: The actual extent of SME reach needs to be underscored by supplementing the leasing penetration rate with additional quantitative and qualitative data analysis.**
The main objective of ALF is to facilitate access to finance for micro, small, and medium enterprises (MSMEs) in Sub-Saharan Africa by increasing the volume of lease transactions. To ascertain the fulfilment of this objective, the impact indicator of leasing penetration (Annual Lease Originations / Gross Fixed Capital Formation ratio) can be supplemented with additional quantitative analysis (e.g. average lease amount) and qualitative data highlighting the outreach to SMEs.

**Evaluation Issue 2: Effectiveness**

**Finding 6: All the expected outputs of ALF have been met or exceeded.**
ALF has exceeded all of the expected outputs on both leasing sector development and capacity-building components.

**Finding 7: Achievement of expected outcomes is high and can be directly attributed to IFC activities.**
Expected outcomes for enactment of laws/regulations and entities implementing recommended changes have been exceeded. However, achievement of target lease volumes is unclear, due to currently incomplete data.

**Finding 8: Other IFC units can help enhance outcomes of ALF.**
IFC country programs, such as those seeking to improve the investment climate and enterprise development, increase confidence regarding the country and its markets. They also promote foreign and domestic investments, which can increase demand for a variety of financial products. Close collaboration with the IFC microfinance and investment teams would help enhance outcomes.

**Finding 9: National partners’ commitment to leasing sector development is crucial.**
Commitment of national partners is demonstrated in immediate enactment of laws, approving regulations and tax exemptions or incentives, and taking leadership roles in investment promotions. Strong buy-in of national partners, as noted in Cameroon, Senegal, and Liberia, accelerates leasing sector development as compared to countries that still require a high degree of impetus.

**Evaluation Issue 3: Efficiency and Accountability**

**Finding 10: ALF appears to be a cost efficient program.**
The 15-country program has improved cost-efficiency compared to previous single-country programs by spreading fixed costs across more countries. Previous standalone programs in Ghana and Tanzania had budgets of about $1 Million per country for a three-year period. Based on actual expenditures of $3.5 Million to date, ALF spent an average of $230,000 per country.

**Finding 11: Operational planning is clear but setting of timelines could be improved as early or timely completion of activities can help deepen results.**

Implementation of some activities was not started as originally planned. Timelines may have been unrealistically set given available resources, particularly staff and consultants. Country context could also have been underestimated in areas such as political stability, length of time to enact laws, and literacy and skills gap.

**Finding 12: Program structure is very lean and the program manager appears overstretched.**

Only three people are directly involved in implementation and the distribution of country assignments among staff appears disproportionate. While the project uses consultants for implementation, results could have been enhanced if the program manager had fewer countries to supervise. Succession is also not built into the program structure to ensure continued program efficiency and effectiveness.

**Finding 13: There is regular internal and donor reporting for accountability but it needs to be balanced for outputs and outcomes.**

ALF reports are regular and sufficiently address country leasing objectives, expected outputs and actual results. Yet the supported countries lack systematic tracking of lease transactions, which prevents complete reporting of outcomes.

**Evaluation Issue 4: Sustainability**

**Finding 14: A very good number of individuals acquired knowledge but the key is converting theory into practice.**

In the case of national leaders and government authorities, sustainability can be gauged better when they act on their own to continue to promote leasing. Even in a market that is growing (e.g. Ghana), some bank leasing institutions still do not follow best practices. In markets where leasing is still being developed, training participants expressed a concern of not being able to practise what they have learned if leasing development is not sustained.

**Finding 15: The planned activities in each country do not clearly indicate mechanisms to monitor and ensure the long-term effects of ALF’s interventions.**

One ultimate indicator of sustainability is a high increase in the leasing penetration ratio in each country. ALF should incorporate activities (with monitoring indicators) that transfer capacity and advocacy to national partners or practitioners to help embed the benefits of its interventions. As part of this, the IFC should consider exit strategies that are not limited to leasing associations and should explore as many options and avenues as possible (e.g. banking institutes, universities, leasing professionals, local consultants, chambers of commerce, banking associations, etc.).

**Finding 16: Long-term partnerships for institutional capacity building are needed.**

Institutional capacity building takes time and needs to be monitored at outcome level.

**Finding 17: More attention needs to be paid to sustainable leasing association development.**
Leasing associations can play a pivotal role in the development of a vibrant leasing sector. Look further into what can make them tick. Positive deviance studies can be done or exchange visits organized to the best performing leasing associations in the world.

**Evaluation Issue 5: Alternatives and Improvements**

The IFC SSA Leasing approach and methodologies have proven to be highly effective and warrant replication in other groups of countries with nascent leasing markets. Within the same project modality further improvements can include:

- **Project Design:** Consider a comprehensive logic model for every country to better assess results;
- **Focus:** Examine and capitalize on priority sectors being developed by government, e.g. agriculture and look for opportunities and private sector actors in specific value chains;
- **Implementation Approach:** Pursue regional approaches when feasible and use regional bodies and fora (BCEAO, ECOWAS, CEMAC, etc.) to increase buy-in and demonstrate to national leaders the success in other countries within the region;
- **Implementation Strategy:** Strategically develop leasing as a form of Islamic Finance particularly in countries where there is high demand;
- **Implementation Scope:** Address (via IFC) funding issues of suppliers such as lack of equity, timing mismatch of debt versus the asset and local currency funding;
- **Communication:** Undertake campaigns through the local media and in the local language (newspaper, TV, and radio) and according to specific sectors (agriculture, mining, food processing, health, etc.);
- **Advocacy:** Advocate more strongly when best practice guidelines are not followed or when laws and regulations are proven to be constricting growth and sustainability; and
- **Development Impact:** Conduct market studies to provide deeper analysis on the profile of the private sector in a specific country (e.g. formal vs. informal; status of SME sector) and determine suitable intervention and partners.

**Conclusions and Recommendations**

**Recommendations**

Certain lessons have been learned from the project, in areas such as: cooperation with partners; the provision of demand-driven advisory services; and balancing investments and promotion needs. Based on these lessons, the independent evaluators make some specific recommendations:

**Role:** Continue ALF’s leadership role in developing leasing markets. Design more specific goals for the next stage of ALF. Build partnerships and act as a catalyst for the contribution of other players, including the private sector.
**Institutional Capacity Building:** To build and sustain capacity among the range of stakeholders—financial institutions, leasing associations, government, vendors—a longer planning horizon is needed.

**IFC Resources:** Increase project funding to add more project staff with direct roles in implementation or supervision of consultants.

**Monitoring and Evaluation:** Extend the monitoring scope to include an outcome indicator for institutional capacity. Furthermore, systematic and efficient lease volume data collection must be in place to have a comprehensive picture of the project’s outcomes and impact.

**New products:** Pursue opportunities to expand the product range beyond the simple lease, such as offering insurance, continuing efforts that have started in micro leasing, etc. In all new product development, ensure suitability for MSMEs.

**Investment:** Provide more assistance through ALF to market leaders who want to raise funds, and promote the sector to new long-term investors such as insurance companies, private equity funds, DFI financing, and international leasing companies.

**Promotion:** Provide market intelligence via ALF through annual market studies, business development activities, and investment forums. Expand communications, in both type and circulation.

**Sector Maturity:** As markets are taking off, more detailed and sophisticated outcomes and impacts should be targeted and goals should be set for each country. Ensure proper market exit.

**Fragile States:** Focus on conflict affected and other fragile states to create and respond to high impact investment opportunities. Institution building to be intensive and broad (responsive to need).

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