



Project Evaluation: Summary Report

DR Congo: Programme for Microfinance System Development

Title according to commission:	Programme for Microfinance System Development
Project no.:	2008.2228.8
Country/region:	DR Congo, sub-Saharan Africa
CRS sector:	24010
Overall objective:	Conditions for a more stable and inclusive financial system have improved
Overall term:	January 2012 to March 2016
Total costs:	EUR 4,500,000
Commissioned by:	German Federal Ministry for Economic Cooperation and Development (BMZ)
Lead executing agency:	Ministère des Finances, RD Congo (Ministry of Finance of DR Congo)
Implementing organisations (in the partner country):	Banque Central du Congo (Central Bank of the Congo, BCC)
Other development organisations involved:	ANIMF (national association of microfinance institutions), other partners in the public and private sectors
Target groups as per the offer:	MSMEs, and specifically the poor economically-active households in the DR Congo including entrepreneurs, employees and family members, particularly women

Project description

There were positive trends in the macroeconomic conditions in the Democratic Republic of Congo (DRC) in 2014, with economic growth consolidating at 8.9%, while inflation was kept low at 1.2%. The exchange rate of the Congolese Franc (CDF) against the USD has also remained largely unchanged. Despite these positive trends, which are likely to continue in the short and medium term, the country is notable for its great poverty, with per capita income in 2013 of USD 430. The Congolese economy and its banking sector are highly dollarized, with around 85.6% of transactions currently executed in USD, which leaves the BCC with little scope for monetary policy.

Despite its cautious growth, the Congolese financial system has been underdeveloped and fragile since the 2009 crisis. The main reasons for this are the lack of risk-based financial supervision, weak regulation and a very weak banking supervisory

authority (even for systemically important banks), the dependence of the financial institutions on short-term deposits combined with concentration on large loans (cluster risk), and the risk of consumer over-indebtedness due to the lack of a credit reference bureau and lack of financial literacy.

The Global Findex Database for 2014 on financial inclusion shows that access to financial services has increased in the DRC. While only 3.7% of the Congolese population over 15 had a bank account in 2011, this figure rose to 17.5% in 2014. Although the latter figure also includes mobile money accounts, it is still 10.9% after adjustment for these. The figures confirm that the increase in financial inclusion is due to a great extent to the efforts of the Congolese Government since 2012 to pay civil servants' salaries through banks or providers of digital financial services.

The programme concentrates on three fields of action.

- **Field of action 1 – financial inclusion:** the programme supports the BCC in formulating a consumer protection regulation to implement the framework of legislation, and promotes the development of a national financial literacy programme.
- **Field of action 2 – financial sector stability:** the programme advises the BCC specifically on introducing new structures and processes for internal risk management, along with various other themes such as management of foreign exchange reserves and migrating commercial banks to reporting to international financial reporting standards (IFRS).
- **Field of action 3 – credit reference bureau:** the programme supports development of a statutory framework for a comprehensive credit reference bureau which covers financial institutions and non-banks.

Overall rating in line with OECD-DAC criteria:	Individual rating of OECD-DAC criteria:
<p>To determine the TC measure's overall rating, calculate the average of the individual ratings of the five OECD-DAC criteria:</p> <p>14 – 16 points: very successful 12 – 13 points: successful 10 – 11 points: rather successful 8 – 9 points: rather unsatisfactory 6 – 7 points: unsatisfactory 4 – 5 points: very unsatisfactory</p> <p>Overall, the programme is rated 'successful' (12.8 points).</p>	<p>Relevance: very successful (14 points) Effectiveness: successful (13 points) Impact: rather successful (11 points) Efficiency: successful (12 points) Sustainability: very successful (14 points)</p>

Relevance

The programme addresses the target group's core problems and analyses these systematically – for example, a diagnostic study on financial literacy was completed in March 2015. Furthermore, an analysis of a study measuring access to financial services (FinScope) and its datasets on the demand side of the financial system is planned in the current year. The programme is rated relevant with regard to the target group's core problems.

The programme is compatible with the Congolese Government's current action programme running up to 2016 (Programme d'action du gouvernement 2012-2016) and the 2013 Poverty Reduction Strategy Paper. In addition, at the 2014 Francophonie Summit, President Kabila signed a letter of intent to develop a strategy for promoting financial literacy in the DRC. In 2012 the BCC's Governor signed the Maya Declaration of the Alliance for Financial Inclusion (AFI). In addition, the Congolese Government is also taking the lead through the Ministry of Finance in the MAP (Making Access Possible) process, which will analyse data on the demand and supply sides to develop a stakeholder dialogue with the potential to evolve into a national roadmap for financial inclusion. The programme's activities are closely aligned with the BCC's strategic plans for 2010-2013 and 2014-2017.

Assistance in introducing a gender equality commission within the BCC is in line with the revision of national policy on gender equality, on which the Ministry of Gender, Family and Children (Ministère du Genre, de la Famille et de l'Enfant) is currently working.

The programme is also supporting the introduction of international standards in the Congolese financial system generally and within the BCC specifically (e.g. Basel Core Principles, IFRS, ISO 31000).

The relevance of the programme is rated 'very successful'.

Effectiveness

The programme's concept is based on plausible (if multistage) hypotheses. The following section reviews the achievement of each indicator in detail, and evaluates whether complete achievement by the end of the programme phase is realistic.

Objectives indicator	Target as per the offer	Actual situation as in project evaluation
<p>Indicator 1: A joint concept for improving the financial literacy of the Congolese population, and specifically women, has been formulated by a working group including the BCC, the Ministry of Education and associations of the financial institutions.</p>	<p>According to the offer, a concept is to be formulated by a working group by the end of the project phase.</p> <p>Baseline value: there is no concept Target value: there is a concept Source: documentation of the joint concept for financial literacy</p>	<p>The programme has initiated implementation of a detailed analysis of the state of financial literacy in the DRC, and has organised several events at which the results of the study have been presented to and discussed by over 140 representatives in all of the BCC, the Ministry of Education, associations, NGOs, various financial institutions and donors.</p> <p>Subsequently, priorities and positions on a vision and objectives for a national financial literacy programme were defined in several working groups and stages, initiated by members of the BCC and the programme. Proposals have also been made concerning priority target groups, actors involved and their roles, the design of the process and the core messages. These already constitute central elements of the national programme to be formulated.</p> <p>The steering group held its first meeting in June 2015, at which it presented and validated the concepts already formulated and a timetable for developing the national programme.</p> <p>The process for developing the national financial literacy programme is seen as firmly established at the BCC. The steering group plans to formulate the national programme by the end of 2015. While ambitious, the plan does not seem impossible.</p> <p>Achievement of the indicators by the end of the programme is rated as realistic.</p>
<p>Indicator 2: There is a signed letter of intent between the members of the dialogue forum to develop a joint strategy for establishing a comprehensive credit reference bureau.</p>	<p>According to the offer, there will be a signed agreement by the end of the project phase.</p> <p>Baseline value: no signed agreement exists. Target value: a signed agreement exists. Source: the signed agreement.</p>	<p>A comprehensive credit reference bureau (CRA) will be established in two steps. The first step is to start the operation of the CRA for financial institutions. The second step is to extend the services of the CRA to other providers outside the financial sector. A central assumption for achieving this indicator is the start of operations of the CRA (step 1).</p> <p>This had been held up until the government negotiations in 2014, but is now proceeding again. As a result, the dialogue with the actors on the strategy for expanding the range of activities of the CRA (step 2) did not start as planned.</p> <p>For this reason the programme assisted the BCC in drafting legislation which makes the incorporation of customer data from energy utilities and telecommunications companies possible. There is a concrete draft and a timetable for further steps up to the point of its promulgation.</p> <p>It is likely the BCC's Governor will sign the draft legislation by the end of the programme phase, making</p>

		it probable that the indicator will be achieved.
Indicator 3: The BCC has produced a map of its operational risks.	<p>According to the offer, the BCC will have formulated a map of its operational risks by the end of the project phase.</p> <p>Baseline value: no map Target value: a map is available Source: the documented map</p>	<p>The programme has initiated a comprehensive process for introducing operational risk management to international standards, and is tracking this closely. The BCC was assisted in formulating the organisation chart for the risk management subdivision. Other concepts produced with the programme's assistance (e.g. internal organisation, internal regulations of the subdivision) have been adopted by the Governor and implemented.</p> <p>Various staff members in the subdivision at the headquarters in Kinshasa and in the provinces have attended a number of regional and international trainings on project management, operational risks, liquidity risks etc. A risk management policy and methodology for mapping operational risks were developed together with the programme.</p> <p>This established the conditions for drawing up a comprehensive and high-quality map of the BCC's operational risks. At the same time, it firmly established the process for risk management and its importance at the BCC. It is planned to start by documenting the risks of the three divisions with the greatest operational risks, which cover 50% of all the BCC's processes. Specific activities have already begun.</p> <p>Judging by the current status, it is likely that mapping will be completed for the three divisions mentioned above by the end of the programme phase. The detailed formulation of processes and methods and anchoring these within the BCC, as well as the resulting emerging acceptance of risk management as a cross-cutting issue within the BCC, are rated as very promising.¹</p>

The effectiveness of the programme is rated 'successful'.

Overarching development results (impact)

The programme objective of German development cooperation in DRC is for financial systems development to result in stabilisation of the Congolese financial sector generally and in greater access to tailor-made financial services for the Congolese population, and specifically for MSMEs. The overarching development objective of the German contribution is to improve the economic and social situation of the DRC's population through a more stable and inclusive financial system, and so contribute to poverty reduction. The various fields of action of German technical and financial development cooperation complement each other in a systemic approach, and together cover all levels of the financial system. While financial cooperation focuses on strengthening the financial infrastructure and boosting the supply side, the focus of technical cooperation is on capacity and organisational development at the BCC and on promoting the demand side.

The programme's effect on improving the economic and social situation of the DRC's population and the resulting induced poverty reduction take place at several levels. Organisational and capacity development for the BCC leads via multiple stages and with time lags to a more stable and inclusive financial system.

In a more stable financial system, more sustainably managed financial institutions offer products and services which are better adapted to the needs of the population. In addition, stability and improved knowledge help strengthen confidence in the financial system on the demand side. This results in increased demand, and ultimately in an improved financial situation in the DRC, with resulting poverty reduction.

¹ Indicator 3 defines formulation of a (single) map of the BCC's operational risks, and as such is not specific enough, as the formulation does not clearly show whether 100% of the operational risks have to be mapped, or whether a map is only required for one division of the BCC. It is accordingly impossible to say unambiguously if maps for three divisions exceed or fall short of the indicator.

Currently, the time lag in the programme's results chain makes it difficult to draw any conclusions about the poverty reduction effect of the programme measures. The changes at the macro level initiated by the programme, such as the steps in preparation for developing a national financial literacy programme or the introduction of internal processes for risk mapping, are initial steps towards a more stable financial sector which the population increasingly trusts. It is currently too early to demonstrate the development results from these activities empirically, for example because financial literacy campaigns will only be started in the later stages. The results will then only become apparent with some delay in increased financial knowledge and demand for financial products. However, given the systematic preparation required, the inclusion and visible commitment of the relevant stakeholders at all levels and the programme's very rigorous content and approach, the medium to long term positive impact is rated as very likely. The evaluation team did not see any results which were either negative, or positive but unintended.

The impact of the programme is rated 'rather successful'.

Efficiency

The programme has worked with a lean HR concept (one international long-term expert and one national expert), advancing a number of issues with a small team in an efficient style of working.

Besides the fields of action defined above, the team has assisted with a number of other issues. Requests for new interventions were brought forward by the the partner (BCC), and all of them are relevant to improving financial sector stability. However, a question which needs to be asked is whether the programme could have had a greater effect through closer follow-up if it had either concentrated on fewer issues, fewer topics involving different BCC-internal project partners, or on issues which were more closely interconnected.

One example is assistance to the treasury division (Direction de Trésorie), which was supported with a comprehensive analysis of options for improvement in the cash cycle management. The diagnostic study is quite broad and has no direct connection with the programme's other fields of action, and thus opens up many new potential areas for support which cannot be covered by the programme with its available resources. Another example is assistance to the BCC's supervision and financial intermediation division with migrating commercial banks to reporting to international standards (IFRS), a broad area which has no direct connection with the programme's other fields of action.

The partner contribution to the programme comprises the provision of offices and workplaces on the BCC's premises, and was satisfactory.

Sharing of information by the programme with other donors, and particularly those supporting activities within the BCC, is rated as very positive. Direct and intensive sharing of information for coordinating and avoiding overlaps takes place primarily with the IMF and PASMIF (multi-donor organisation). The programme is currently chairing the GTPF, an informal donor coordination group on financial sector issues, after providing the secretariat in the previous year.

The efficiency of the programme is rated 'successful'.

Sustainability

The programme focuses its work on developing long-term capacity within the BCC, in order to ensure sustainability, making particular use of the instruments of coaching and individual training for BCC staff. These then passed on what they had learned in seminars and training courses to colleagues in their own and other divisions. The latter and a review of the potential for implementation were defined in the BCC as a necessary consequence of all training activities. However, implementation is not yet proceeding at the same pace in all divisions.

Particularly in risk management, the programme is supporting organisational development through the creation of a new subdivision and the designation of focal points in the various divisions. Establishing risk management as a cross-cutting issue at BCC and providing close backstopping for the formulation of guidelines and their implementation in the individual BCC divisions will not only enhance the impact with regards to the defined indicator, but will also (and particularly) promote institutional ownership of the measures, and hence their sustainability beyond the end of the project.

The programme is also assisting the BCC in introducing and firmly establishing holistic processes in the fields of financial literacy and consumer protection. Assistance in establishing multi-stakeholder working and steering groups is seen as a measure which is particularly suitable for ensuring sustainability of an intervention by actively including many different actors from the start. The sustainability of the individual measures is also enhanced by close and prompt follow-up by the programme, where HR resources permit.

Strategies and concepts developed at the technical working level often only become sustainable if they are officially approved by the division heads or the Governor. In the case of the management of foreign exchange reserves, this process

is currently lagging behind, while in other instances relevant documents have already been validated or will be in the foreseeable future.

The sustainability of the programme is rated 'very successful'.

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Deutsche Gesellschaft für
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Registered offices
Bonn and Eschborn

Friedrich-Ebert-Allee 40
53113 Bonn
T +49 228 44 60-0
F +49 (228)44 60-1766

Dag-Hammarskjöld-Weg 1-5
65760 Eschborn, Germany
T +49 61 96 79-0
F +49 61 96 79-11 15
E info@giz.de
I www.giz.de