



1. Project Data:		Date Posted : 05/30/2002	
PROJ ID: P001210		Appraisal	Actual
Project Name: Rural Savings	Project Costs (US\$M)	15.7	12.85
Country: Cote d'Ivoire	Loan/Credit (US\$M)	2.2	1.5
Sector(s): Board: RDV - Central government administration (95%), Micro- and SME finance (5%)	Cofinancing (US\$M)	11.5	10.5
L/C Number: C2597			
	Board Approval (FY)		94
Partners involved : AFD;FAC;CIDA	Closing Date	06/30/2000	06/30/2001
Prepared by :	Reviewed by :	Group Manager :	Group:
John English	Madhur Gautam	Alain A. Barbu	OEDST
2. Project Objectives and Components			
a. Objectives			
<p>The objective of the project was to revitalize the national system of Savings and Loan Cooperatives (COOPEC) by rehabilitating existing local COOPECs and assisting in the creation of new ones where justified .</p> <p>The overall approach had been tested during a pilot phase and the project focused on three specific objectives:</p> <ul style="list-style-type: none"> • <i>Outreach</i>- expand the number of COOPECs from 70 to 142, with a specific emphasis on the establishment of rural societies, and to increase membership from 27,000 to about 110,000 • <i>Resource mobilization</i>- increase savings from CFAF 1 billion to about CFAF 6 billion and loans from CFAF 150 million to about CFAF 3 billion (i.e. increasing the loan to deposit ratio from 15% to 50%) during the project period; • <i>Financial autonomy</i> - to achieve financial autonomy, operating costs were to be kept as low as possible with a loan recovery rate to be maintained at 97.5%. 			
b. Components			
<p>The project had three components :</p> <ul style="list-style-type: none"> • rehabilitation and development of local COOPECs; including detailed audit and financial restructuring of the 70 existing COOPECs, improvement of their accounting system, and the training of members and managers; (US\$ 1.7 million) • support to Regional Service Units (RSUs); to provide timely supervision and support to COOPECs in their region, to ensure that prudential ratios were met within individual COOPECs, to monitor their loan portfolios and ensure that adequate efforts at recovery were made; (US\$ 6.1 million) • support to the Central Management Unit (CMU), to provide the network with policy and operational guidelines, manage COOPECs' excess liquidity, supervise the activities of the RSUs and COOPECs, and to finance the necessary technical assistance to the CMU and its investments and operating costs . 			
c. Comments on Project Cost, Financing and Dates			
<p>Final project expenditure was US\$ 12.85 million, just over 80% of the appraisal estimate. The main shortfall was at the local and regional level, where expenditure was about 70% of forecast. CIDA support, primarily for TA was almost fully disbursed, while French and IDA support were about 70% disbursed. Project closing was extended by one year.</p>			
3. Achievement of Relevant Objectives:			
<p>The numerical goals in the general objectives were rapidly exceeded and were increased at the mid -term review. By closing the situation was as follows :</p> <ul style="list-style-type: none"> • <i>Outreach</i>.- overall membership was expanded to about 300,000 but, in order to assist in supervision etc ., the overall number of COOPECs was held at 110, rather than the level of 142 anticipated at appraisal; • <i>Financial mobilization</i>. - membership savings rose rapidly to a total of CFAF 27 billion, i.e. five times the original target and outstanding loans rose to CFAF 14 billion. • <i>Financial autonomy</i> - initial progress was significant. During the period through 1997 the loan recovery rate was 			

maintained at 96% and the extent to which costs were covered by internally generated resources rose from 55% in 1997 to 82% in 1999. Network profit in that year was CFAF 645 million. However, with the economic downturn, recovery rates fell, and overdues increased from 10% in 1998 to 37% in 2000, leading to a deficit of CFAF 1.4 billion in that year. A major effort in 2001 aimed to increase the recovery rate to 94% and, if achieved, would reduce overdues to just over 10%.

4. Significant Outcomes/Impacts:

The COOPECs: substantial progress was achieved in strengthening the local COOPECs. The operations of the 35 largest, accounting for about half of operations, have been computerized, and financial management has been strengthened by increased and regular internal reviews and reconciliation between local COOPECs, and the RMUs and CMU. COOPECs' Boards of Directors, committees and assemblies have met reasonably regularly. However, inadequate understanding throughout the system of the requirements for cost reimbursement by the four donors led to reimbursement delays and was a factor in the financial difficulties of the system and led to a slow down in training, which only further aggravated the problem.

The RSUs: performance at this level was least satisfactory. The RSUs were understaffed and relied heavily on the CMU in their everyday work. This overstretched the CMU and led to some lapses in control. Some local embezzlement occurred. In the last two years of the project staffing improved and the numbers of trained inspectors and credit officers increased at the RMUs.

The CMU: An apex organization, FENACOOPEC, was established and was fully operational after the MTR with a supervising Board of Directors. The Board relied rather heavily on the CMU in decision making and this caused some problems because the CMU suffered a rapid turnover of managers; there were four managers of the CMU in six years of project operation.

5. Significant Shortcomings (including non-compliance with safeguard policies):

Economic and social conditions were difficult in Cote d'Ivoire in the last two years or so of project implementation. Following the rapid increase in savings, the Board and CMU decided to loosen loan eligibility requirements in order to maintain the level of loans at about 50% of savings and this, in the difficult economic conditions, was the major cause of the increased level of delinquencies.

These problems were exacerbated for two reasons:

- as a result of the political instability in the country, the President of the project Steering Committee was removed and not replaced during the last two years of the project, despite representations from the donors. As a result, the Steering Committee did not meet during the critical period when the financial difficulties of the COOPEC system were mounting. When the number of overdue loans began to rise in 1998 the Sub-Directorate of the Mutualist Institutions (SDMI) also did not take any action, despite the threat of suspension by the Bank.
- a dispute between the Canadian and French TA as to who should manage the project unit.

The situation may be improving as the ICR reports that "after the recruitment of a new manager with a solid background in financial management (the former financial manager of a major transportation company), financial management has started to improve".

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Unsatisfactory	Moderately Unsatisfactory	The project did achieve most of its major relevant objectives, but with major shortcomings.
Institutional Dev.:	Modest	Modest	
Sustainability:	Unlikely	Unlikely	
Bank Performance:	Satisfactory	Satisfactory	
Borrower Perf.:	Unsatisfactory	Unsatisfactory	
Quality of ICR:		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

8. Assessment Recommended? ● Yes ○ No

Why? To fill some information gaps in the ICR (see below). The project also provides an opportunity to raise issues related to the appropriate policy framework if there is a desire to promote savings institutions of this type, while providing adequate security for savers. For example, would the institution have been helped by some preferential rate from government for the 50% of deposits that it is barred from using for loans, to help both security and improve cash flow? Would it be appropriate to provide some level of deposit insurance, linked to increased government oversight?

9. Comments on Quality of ICR:

The ICR is generally of good quality and provides a full account of the project experience. However, it has a

significant shortcoming in not having data on the financial position of the COOPECs . This is a key omission, since the issue of the sustainability of the system and, therefore, the overall outcome hinges on this . For example, it is not clear whether the reported negative cash flow is a result of the framework in which the institutions operate or of inefficiency in their operation .