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GHANA ECOBANK DCA GUARANTEE

EVALUATION

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EVALUATION

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On the Cover: Street vendors in Accra, Ghana. Photo by SEGURA IP3 Partners LLC.

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ACRONYMS

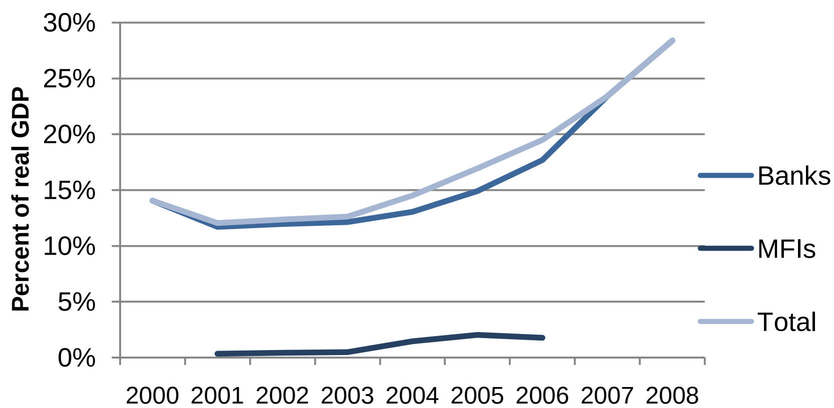
AGI	Association of Ghana Industries
BoG	Bank of Ghana
CMS	Credit Management System
DCA	Development Credit Authority
DMB	Deposit Money Bank
EGAT/DC	Bureau of Economic Growth Agriculture and Trade/Office of Development Credit
GHAMFIN	Ghana Microfinance Institutions Network
GDP	Gross Domestic Product
GoG	Government of Ghana
IFC	International Finance Corporation
IMF	International Monetary Fund
MCC	Millennium Challenge Corporation
MFI	Microfinance institution
MPC	Monetary Policy Committee
MSED	Micro and Small Enterprise Development Program
MSME	Micro-, small-, and medium-sized enterprises
NGO	Non-Governmental Organization
NTE	Non-traditional exports
SME	Small- and medium-sized enterprise
TA	Technical Assistance
TIPCEE	Trade and Investment Program for a Competitive Export Economy
USAID	United States Agency for International Development
WB	World Bank

1. EXECUTIVE SUMMARY

Macroeconomic conditions in Ghana in the early 2000s severely constrained private sector access to credit (International Monetary Fund 2003). High levels of government borrowing pushed interest rates up and crowded the private sector out of financial markets. With government bills paying real interest of 16.8 percent, banks had little incentive to take on riskier private sector debt. High interest rates and exchange rate volatility also created financial uncertainty that made both borrowers and lenders hesitant to take on the risks associated with loans, particularly medium to long-term loans.

Limited access to credit and its high cost significantly constrained the growth of Ghanaian enterprises. These constraints hit micro-, small-, and medium-enterprises (MSMEs) particularly hard because of a number of factors that made it difficult for banks to assess the risk associated with loans to MSMEs. This situation was of particular concern to USAID/Ghana because its current Economic Growth strategy relied on growth in the MSME sector.

FIGURE 1: LENDING TO PRIVATE SECTOR AS PERCENT OF GDP



Source: Bank of Ghana & Ghana Microfinance Institutions Network (GHAMFIN)

The International Monetary Fund (International Monetary Fund 2003) credits monetary policy and financial sector reforms since 2001 for substantially increased banks' lending to the private sector (Figure 1). Several studies and reports, however, found that access to credit, high interest rates, and prohibitive collateral requirements, remain significant constraints to the growth of many MSMEs (Association of Ghana Industries 2007; (Mensah 2004). Access to the medium to long-term financing necessary for capital investments is particularly tight (Mensah 2004).

In response to this environment USAID/Ghana implemented two Development Credit Authority (DCA) loan guarantees with EcoBank, a prominent retail bank in Ghana. Under the guarantees USAID/Ghana agreed to cover 50 percent of EcoBank's losses of principle on guaranteed loans up to a specified ceiling on total loan value. The guarantees reduce the bank's risk and thereby encourage it to make loans to specific sectors that support USAID/Ghana's development objectives. USAID/Ghana structured the two DCA guarantees to support its Economic Growth strategy and specified MSMEs, microfinance institutions (MFIs), and NGOs with activities in manufacturing, agriculture, agricultural processing, salt mining/production, fisheries, tourism, wood products, textiles and garments, and other potential growth industry sectors as qualified recipients of guaranteed loans. The guarantees' Action Packages also emphasized a particular desire to improve access to larger, medium to long-term loans for these sectors. Table 1 summarizes key characteristics of the two guarantees.

TABLE 1: CHARACTERISTICS OF DCA LOAN GUARANTEES IN GHANA

Starting year	Ending year	Guarantee ceiling ($)	Number of loans	Aggregate amount ($)	Utilization rate	Median loan Size ($)	Average tenor (months)
2003	2008	$3,000,000	6	$2,208,830	73.63%	$359,395	40
2005	2012	$7,000,000	4	$4,446,664	63.52%	$1,203,503	27

Source: USAID Credit Management System (CMS) and EcoBank.

EVALUATION OBJECTIVES

USAID's Economic Growth Agriculture and Trade Bureau's Office of Development Credit (EGAT/DC), which manages the DCA guarantees, commissioned this evaluation of USAID/Ghana's DCA guarantees. This evaluation assesses the performance of the DCA guarantees relative to their objectives as defined in the Action Packages. Action Packages are internal USAID memos that describe the rational for the guarantees and their objectives. In this case USAID/Ghana developed the Action Packages and described the guarantees' objectives as increasing access to credit, and particularly medium to long-term credit, for firms in key growth-oriented sectors. Three broad avenues of questioning – output, outcome, and impact (see box below) – guided the evaluation. The evaluation framework and interview guides in Annex A contain the actual evaluation questions.

The scope of the evaluation covers only EcoBank's behavior and potential demonstration effects in the broader banking sector. It does not examine EGAT/DC's management of the guarantees nor does it attempt to assess the impacts of the loans on borrowers or on USAID/Ghana's strategic objectives. At EGAT/DC's request, the evaluation presents only findings and conclusions. It does not extend to making recommendations or to drawing out lessons learned.

Evaluation Questions

Output level – Did EcoBank's use the guarantees conform to guarantee objectives and specifications as described in the Guarantee Agreements?

Outcome level – Did EcoBank's experience with the guarantees improve access to credit for borrowers in the target sectors outside of the DCA coverage?

Impact level – Did the guarantees have a demonstration effect that resulted in other banks improving access to credit for borrowers in the target sectors?

EVALUATION METHODOLOGY

A three-person team conducted the evaluation in February and March of 2009. The team met initially in Washington, D.C. to refine evaluation objectives and procedures, develop an evaluation framework, and to interview EGAT/DC personnel. Field work commenced in Accra, Ghana on February 16, 2009 and concluded on February 27. During that time the team reviewed documents, conducted structured interviews with stakeholders, and collected secondary quantitative data.

KEY FINDINGS AND CONCLUSIONS

At the output level, the DCA guarantees complemented EcoBank's ongoing strategy to transition from a wholesale bank to a fully fledged retail bank with a correspondingly greater focus on the SME sector. The bank used the guarantees to gain experience with new borrowers and industries and, in compliance with USAID/Ghana objectives, to provide larger and longer-term loans associated with financing capital expenditures. Guaranteed loans were much larger, and consequently far fewer in number, than initially anticipated by USAID/Ghana but still fell within the size and tenor parameters established in the guarantee agreements.

Specific findings in support of these conclusions include:

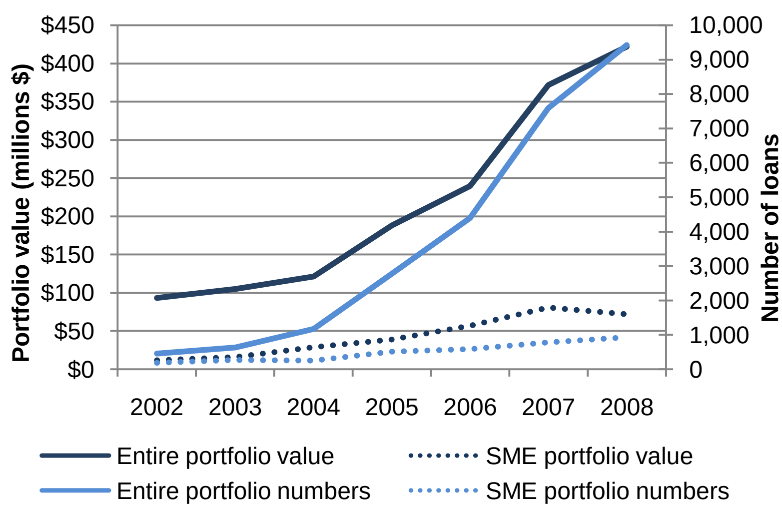
- EcoBank used the guarantees to test new borrowers. Of the nine unique borrowers (there were ten loans but two were to the same borrower) under the DCA guarantees, six (66 percent) were new clients.
- The bank also used the guarantees to gain experience with new sectors/industries. Three of the eight sectors/industries represented by loan recipients were sectors/industries in which EcoBank had no previous lending experience.
- EcoBank also focused its use of the guarantees on larger loans with longer tenors necessary for capital investments – a particular objective of the DCA agreements. Guaranteed loans were significantly larger and had longer tenors than EcoBank's typical SME loan. All of the guaranteed loans fell within the top eight percent (by size) of loans in the bank's SME portfolio and 60 percent fell within the top two percent. The guaranteed

loans had an average tenor of 35 months compared to an average 12 month tenor for the bank's overall SME portfolio.

- All nine of the unique borrowers under the DCA guarantees received medium to long-term loans, eight to finance capital expenditures and one, an MFI, for on-lending to micro-enterprises. None had received medium to long-term loans prior to the guarantee.
- In spite of the relatively large loan sizes, loan recipients likely fall within target sectors, i.e., they appear to be largely medium-sized enterprises and MFIs. The World Bank's International Finance Corporation (IFC) uses loan sizes of $10,000 to $100,000 as a proxy for small enterprises and loans between $100,000 and $1 million as a proxy for medium enterprises (IFC undated).

At the outcome level EcoBank has substantially increased lending to SMEs and MFIs since it began utilizing the DCA guarantees. EcoBank officials admitted, however, that the growth in SME lending largely reflects the bank's ongoing strategy to increase retail lending rather than being attributable to the guarantees. Experience with the guarantees prompted EcoBank to increase lending to some new industries and to extend some long-term loans for capital expenditures outside of the guarantee coverage. However, these increases were small relative to the bank's overall SME portfolio.

FIGURE 2: GROWTH IN ECOBANK LENDING, 2002-2008



Key findings in support of these conclusions include:

- EcoBank has substantially increased its lending to SMEs. Figure 2 illustrates the growth in EcoBank's lending between 2002 (pre-DCA guarantee) and 2008. The bank increased the number of loans in its SME portfolio by 380 percent (from 194 to 932) and the value of the portfolio by 500 percent (from $11.9 million to $72.0 million). The number of loans in the bank's entire loan portfolio grew faster (1944 percent from 461 to 9,422 loans) than its SME portfolio but the value of overall portfolio grew more slowly (353 percent from $93.2 million to $422.0 million) than the SME portfolio.
- EcoBank used the guarantees to develop new clients and markets. The bank has continued to lend outside of the guarantees to seven of the eight industries/sectors represented by recipients of guaranteed loans. It has also extended loan tenors for borrowers in these industries as it focuses on financing capital expenditures.
- The DCA guarantees contributed to changes in EcoBank's lending behavior. EcoBank personnel stated that the bank's experience with the DCA guarantees was crucial to the bank increasing the number of larger, long-term loans for capital expenditures in recent years. EcoBank has increased lending to MFIs outside of the guarantees and is now extending medium to long-term credit to MFIs.
- The DCA guarantees prompted EcoBank to expand lending into new sectors/industries. Bank personnel said that the ability to test new industries/sectors within the guarantee was critical to the bank's lending in these industries/sectors outside of the guarantee coverage but said that the guarantees made, at most, a minor contribution to the growth in EcoBank's SME portfolio. Guaranteed loans accounted for only one percent of the number and nine percent of the value of all SME loans in 2008.

At the impact level, lending to MSMEs (a proxy for the target sectors of the guarantee) has increased substantially in Ghana since 2002 (pre-guarantee). Anecdotal evidence suggests that loan guarantees may be responsible for some of this increase. However, given the small number of industries/sectors represented by EcoBank's guaranteed loans, the effect of the DCA guarantees is likely modest. Factors external to the guarantees are likely responsible for most of the observed increase in lending to MSMEs.

Key findings in support of the conclusion of increased financial sector lending to MSMEs include:

- Bank lending to the private sector (as a percentage of real GDP to control for inflation and overall growth in the economy) increased from 14.0 percent to 28.8 percent (a 106 percent increase) between 2000 and 2008. Lending to the commerce and finance sector, a sector dominated by SMEs according to a banking official and a government SME specialist, grew substantially more than most other sectors increasing by 300 percent from 1.2 percent to 4.8 percent.
- At least three Ghanaian universal banks have established relationships with MFIs to gain access to savings mobilization and lending in the micro-enterprise sector.
- Microfinance institutions (lenders to micro-enterprises) increased lending from 0.3 percent to 1.8 percent of real GDP between 2002 and 2006, a 500 percent increase.
- The Bank of Ghana's SME Survey in 2005 found that "the share of SMEs in total exposure of banks has increased from 0.95 percent of GDP in 2001 to 1.54 percent of GDP by 2004."
- Two of the three banks that responded to a survey of five banks with SME departments reported increases in SME lending of 257 and 450 percent between 2002 and 2008.

Qualitative findings on the potential for EcoBank's DCA guarantees to influence broader MSME lending include:

- Three individuals prominent in the banking and development sectors said they had witnessed banks observing and learning from other banks' experience when deciding to enter new industries or sectors.
- The three banks that responded to the evaluation team's survey of five banks that competed with EcoBank in the SME market said that other banks' experience in new industries and with different loan sizes and tenors were either "somewhat" or "very" important in determining the banks' lending strategy.
- Two recipients of guaranteed loans have received long-term financing from other banks since receiving the guaranteed loans.

II. INTRODUCTION

The International Monetary Fund (International Monetary Fund 2003) described macro-economic conditions in Ghana in 2000 that significantly constrained private sector access to credit. High levels of government debt (117 percent of GDP in 2000, a quarter of which was incurred in 1999[1]) crowded the private sector out of financial markets. With government treasuries paying nominal interest rates of 42.0 percent (16.8 percent real), banks had little incentive to take on riskier private sector debt. High rates of inflation (25.2 percent in 2000) and exchange rate volatility increased financial uncertainty and discouraged both borrowers and lenders from taking on the risks associated with loans, particularly medium to long-term loans. Weak competition in the banking industry exacerbated the problem as banks faced little competitive pressure to seek new markets or improve access to credit.

In addition to macro-economic conditions that discouraged lending, banks viewed business lending, and particularly lending to MSMEs to be particularly risky.[2] Many businesses lacked the accounting and management capacity to demonstrate their ability to service a loan, land tenure issues limited businesses' ability to raise the collateral banks required to allay perceived risk, the legal and court systems made it difficult for banks to seize collateral when borrowers defaulted, and the absence of credit bureaus made it difficult for banks to assess borrowers' credit history. To add to the risk, the International Monetary Fund (International Monetary Fund 2003) concluded that, because they have focused largely on government debt, banks may have limited expertise in evaluating risks associated with private sector lending.

Conditions have improved significantly since 2000. Government policy and financial sector reforms focused on increasing liquidity in the financial sector and strengthening the regulatory underpinnings of the banking system. Key policies and reforms include:

- Reduced government borrowing lowered Treasury bill interest rates, reduced government demands on the credit system, and created space for private sector lending.
- Eliminating the secondary reserve requirement[3] freed up capital for lending to the private sector. The International Monetary Fund's (IMF) 2003 Financial Sector Assessment (International Monetary Fund 2003) concluded that, "the secondary reserve requirements … are beginning to bind for some of the larger banks that would like to engage in more lending to the private sector." The Bank of Ghana reduced the secondary reserve requirement from 35 percent to 15 percent in July of 2005 and eliminated it entirely in August of 2006.
- Banking Act of 2004 – the act strengthened the regulatory and supervisory functions of the Bank of Ghana over the banking industry and has strengthened and stabilized the banking sector.
- Universal Banking License – In 2003 the Bank of Ghana established the Universal Banking Business License which has increased competition in the banking sector. Most major banks have now transitioned to universal banks and the banking sector has expanded. Between 2000 and 2007 the number of deposit money banks [4] in Ghana increased from 17 in 2000 to 23 in 2007[5] and 27 in 2009.[6] During the same

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[1] (International Monetary Fund 2003).

[2] Reported by every member of the banking industry the evaluation team interviewed.

[3] In addition to a nine percent reserve requirement, banks were required in 2003 to hold a secondary reserve of 35 percent, at least 20 percent in treasury bills and 15 percent in inflation-indexed government bonds.

[4] Deposit money banks include Commercial Banks, Merchant Banks, Development Banks, and Universal Banks. Since the Banking Law of 2004, most merchant and commercial banks in Ghana have transitioned to universal banks.

[5] Bank of Ghana Annual Reports, Online: http://www.bog.gov.gh/index1.php?linkid=157, Accessed: March 10, 2009.

[6] Personal communication with Jude Kofi Arthur, President, Ghana Association of Bankers.

period the number of Rural and Community Banks increased from 113 to 126 (2007), and the number of non-bank financial institutions[7] increased from 37 to 41 (2007).[8]

- Borrowers and Lenders Act (2008) and Non-Bank Financial Institutions Act (2007) – These acts are part of a comprehensive package aimed at improving financial intermediation. The borrowers and Lenders Act clarifies the rights and obligations of lenders and borrowers. It improves transparency in lending and should ultimately increase access to credit. It also reduces the barriers banks face in seizing collateral when borrowers default on loans (Economist Intelligence Unit 2009).
- Credit Reporting Act (2007) – The act provides the foundation for establishing credit bureaus in Ghana – one of which is now in operation. Widespread adoption of credit bureaus will reduce information asymmetry between borrowers and lenders and reduce the cost of lending and interest rate spreads.

As a result of these policies and reforms, the Ghanaian banking sector now (2009) has excess liquidity. The entry of new banks, and especially Nigerian banks after bank consolidation in that country, has increased competition and banks are actively seeking new markets. In fact, each of the five representatives of the banking and microfinance sectors, as well as TA contractors and government officials, that the evaluation team interviewed said that the banking sector had become much more competitive and that banks were moving down market in search of savings mobilization and lending opportunities. At least three banks - UniBank, EcoBank, and Barclays - have established formal partnerships with MFIs to gain access to the lower end of the lending market.

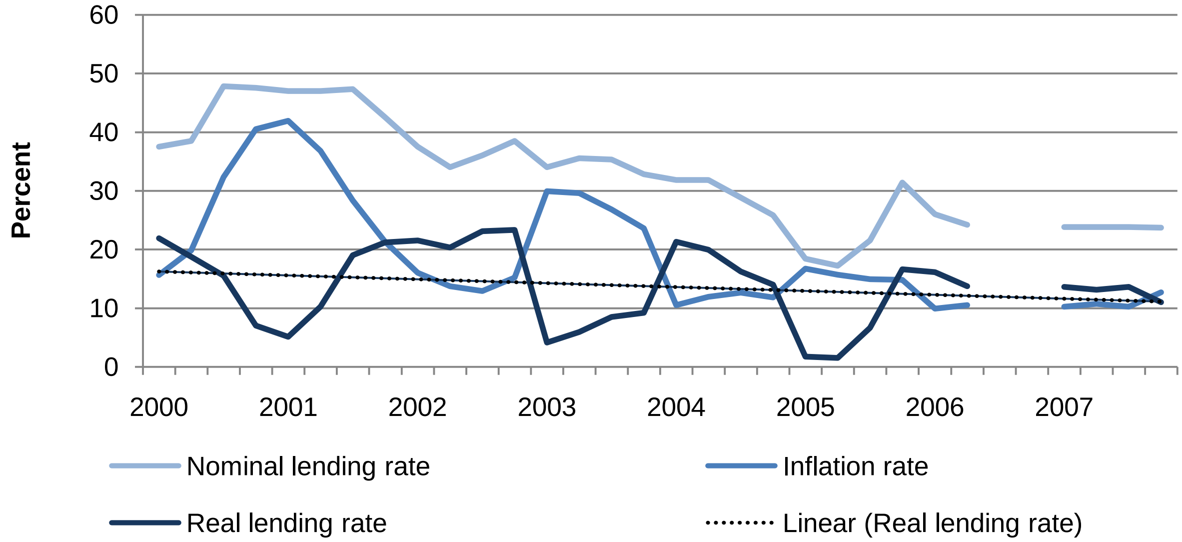
A prominent representative of the banking industry believed that actively engaging the SME market would be critical for banks' survival. He stated that 70 percent of the cash in Ghana was outside of the banking system and believed that future growth in lending depended on bringing this cash into the formal banking sector. The ability to mobilize savings from the non-banked sectors would be key to reducing the cost of funds and remaining competitive.

Competition does not yet seem to have substantially affected interest rates. While real lending interest rates have declined since 2002 (linear trend in Figure 3), several studies of interest rate spreads in Ghana attribute the decline largely to the macroeconomic environment (i.e., reserve requirements, inflation, prime rates), rather than bank competition (Bawumia, Belnye, and Ofori Martin Enoch 2005; Gockel and Mensah 2006). In fact, Bawumia, et al. concluded that lack of price competition among banks was the most important factor in explaining persistent large spreads between banks' borrowing and lending rates. Officials of the one bank interviewed during the evaluation stated that they were reluctant to reduce interest rates because it would be difficult to increase them for subsequent loans. The bank would reduce rates for good customers who asked but would not offer lower rates as a marketing strategy. All of the individuals the evaluation team interviewed who were cognizant of the financial sector said that bank competition had not significantly reduced interest rates.

[7] Non-bank financial institutions consist of savings and loan companies, finance companies, leasing companies, mortgage finance companies, and discount houses.

[8] Bank of Ghana Annual Reports, Online: http://www.bog.gov.gh/index1.php?linkid=157, Accessed: March 10, 2009.

FIGURE 3: BANK LENDING RATES 2000-2007



Likewise, competition does not appear to have affected loan tenors or collateral requirements. The evaluation team found no quantitative data on loan tenors or collateral requirements. However, a USAID technical assistance contractor working in the agricultural sector had observed some reduction in collateral requirements for SME borrowers in the agricultural sector but did not believe the practice was widespread. EcoBank reported changing the composition of what it would accept as collateral (allowing up to 50 percent of the collateral requirement in cash as opposed to all in landed property) but had not changed the total value of collateral required.

Respondents to the 2007 Business Climate Survey conducted by the Association of Ghana Industries ranked access to credit and cost of credit among the five greatest barriers to growth.[9] Another survey of SMEs in Ghana found that over 50 percent of SMEs surveyed said that access to credit and the high cost of credit adversely affected their operations (Bank of Ghana 2007). Access to medium to long-term financing necessary for capital investments remains a particularly acute problem for SMEs (Mensah 2004).

Remaining barriers to credit for SMEs include:

- All individuals the evaluation team interviewed in the financial sector stated that banks' perceived risk associated with lending to MSMEs was a key constraint to providing credit. This perceptions stems from the limited capacity of many MSMEs to demonstrate creditworthiness, information asymmetry, and limited bank experience with MSMEs. It results in higher interest rates, short tenors, and high collateral requirements.
- Limited acceptance and capacity among MSME owners to adhere to the requirements of obtaining credit (e.g., disclosing accurate financial information, perception that loans are grants, unwillingness to invest in capacity building) (Mensah 2004).
- Difficulties demonstrating free-and-clear ownership of collateral.

[9] The Association of Ghana Industries surveyed 451 businesses in the manufacturing, trade, tourism, services, construction, and finance sectors in seven regions of Ghana. Small businesses made up more than 66 percent of the sample. Almost half of respondents (49 percent) ranked the cost of credit among the five greatest barriers to growth and 43 percent said the same of access to credit.

- Ghanaian banks' cash for lending consists primarily of short-term savings deposits. Limited access to long-term funds thus constrains banks' ability to make medium to long-term loans.[10]
- High bank delivery costs associated with smaller loans.[11]

The evaluation assessed the extent to which the DCA loan guarantees to the guarantee partner (EcoBank) have improved access to credit for the target sectors (i.e., MSMEs) in Ghana. In particular, it asked the following questions.

- How did the DCA guarantees fit into EcoBank's ongoing strategy? What market potential did the DCA guarantee help open for EcoBank?
- How did EcoBank implement its loan guarantee programs (e.g., marketing campaigns, changed terms, training, revised staff structure and responsibilities, improved communications with branch offices, etc.)? And why?
- Did EcoBank's use of the DCA guarantees improve access to credit for the target sectors? (i.e., did characteristics of guaranteed loans differ from other loans in ways that improved access?)
- Did EcoBank improve access to credit to the target sectors outside of the DCA guarantees (i.e., did the bank move into any new sectors/industries, types of borrowers, types of loans, or loan terms)? If so, how and why and to what extent were the DCA guarantees responsible for improving access to credit outside of the guarantees?
- What factors at EcoBank were responsible for achieving desired outcomes (e.g., TA; bank staff training; revised bank strategy, procedures and structure; new management, etc.)?
- Did other, non-partner banks initiate or increase lending to the target sectors? If so, to what extent was the DCA guarantee to EcoBank responsible? How and why?
- Did access to loans (or loan terms) improve for loans to the target sectors? If so, how and why?

[10] Although this was not a formal interview question, two representatives of the banking sector, an SME expert, and representatives of the Bank of Ghana and Ministry of Finance mentioned it as a key constraint to medium to long-term credit.
[11] 2003 USAID DCA Action Package and (Bawumia, Belnye, and Ofori Martin Enoch 2005).

III. THE DEVELOPMENT PROBLEM AND USAID'S RESPONSE

In 2003, USAID/Ghana's Economic Growth strategy emphasized private sector-led growth fueled by increased non-traditional exports, and especially agricultural exports. The strategy recognized the critical role of MSMEs in attaining these objectives and its Trade and Investment Reform Program (TIRP) focused on increasing the competitiveness of Ghana's private sector exports in world markets.

PROBLEM STATEMENT

Several studies identified limited access to credit as a significant barrier to growth in the MSME sector in Ghana (Mensah 2004; International Monetary Fund 2003; Association of Ghana Industries 2007). In fact, respondents to the 2007 Business Climate Survey conducted by the Association of Ghana Industries (AGI) reported that access to credit and cost of credit were among the five top challenges to growth. Mensah (2004) reported that "long term financing in terms of equity capital, needed by growth-oriented mainly small and medium companies, is virtually non-existent for SMEs."

USAID'S INTERVENTION IN RESPONSE

To address these constraints and thus support its Economic Growth strategy, USAID/Ghana implemented two DCA loan guarantees with EcoBank in 2003 and 2005. USAID/Ghana originally provided guarantees to two partner banks in 2003 but then withdrew one because the partner was not utilizing the guarantee. The Mission then redirected the funds from the terminated guarantee to establish a second guarantee with EcoBank (the 2005 guarantee) to focus on encouraging larger loan sizes than the initial guarantee. Both guarantees were specifically structured to encourage EcoBank to provide longer-term loans to sectors with the potential to make substantial contributions to growth. These included MSMEs, microfinance institutions (MFIs), and NGOs with activities in agriculture, agricultural processing, salt mining/production, fisheries, tourism, value-added processing of wood products, and textiles and garments. The Action Packages provide additional detail about qualifying loans. In particular, they place a strong emphasis on loans to support non-traditional exports (NTEs) in specific sectors with growth potential and spoke to the importance of improving access to long-term loans. The following excerpts from the Action Packages illustrate the intended targets of guaranteed loans.

> "The scope of the DCA program will leverage financing from local funds to both emerging SMEs and to the micro-enterprise sector." (2003 and 2005 Action Packages)
>
> "The sectors that the Mission is seeking to strengthen through this assistance are primarily those that have the most potential in non-traditional exports (NTEs). These are the tourism, textile, and garment sectors." (2003 and 2005 Action Packages)
>
> "Specifically, the DCA activity will attempt to introduce medium and long-term capital to industries and economic sectors that have, to date, been under-represented in the Ghanaian financial sector for various reasons."

Table 2 summarizes key characteristics of the two DCA Guarantee Agreements (the legal agreements between EcoBank and USAID/Ghana).

TABLE 2: SUMMARY OF DCA GUARANTEES

	2003 DCA	2005 DCA
AUTHORITY	DCA	DCA
TYPE	Loan Portfolio Guarantee (LPG)	Loan Portfolio Guarantee (LPG)
GUARANTEED PARTY	EcoBank Ghana Limited	EcoBank Ghana Limited
MAXIMUM PORTFOLIO AMOUNT	$3,000,000 of which not more than $1,200,000 for projects not designed to produce or market products for export	$7,000,000
USAID GUARANTEE PERCENTAGE	50%	50%
GUARANTEE CEILING	$1,500,000	$3,500,000
TERM OF GUARANTEE	5 years (7/18/03 - 7/17/2008)	7 years (3/21/05 - 3/23/12)
ORIGINATION FEE	0.50% of guarantee ceiling ($7,500)	0.50% of guarantee ceiling ($17,500)
UTILIZATION FEE	0.25% per annum of portion of the outstanding principle guaranteed by USAID	0.50% per annum of portion of the outstanding principle guaranteed by USAID
MAXIMUM LOAN AMOUNT	$600,000	$1,400,000
TENOR	18 months to 5 years	Less than or equal to 36 months
QUALIFYING BORROWERS	Any small, medium, or large enterprises or microfinance institutions carrying out Qualified Projects in Ghana	Non-sovereign Ghanaian micro-, small-, and medium-sized enterprises (MSMEs), microfinance institutions (MFIs), and non-governmental organizations (NGOs), established under Ghanaian law that are private enterprises in sectors such as manufacturing, agro-processing, tourism, textile, garment, and other potential growth industries.
QUALIFYING PROJECTS	Revenue-generating activities in agriculture (excluding cocoa), agricultural processing, salt mining/production, fisheries, tourism, value added processing of wood products (excluding financing related to the harvesting or export of unprocessed timber), and textiles and garments.	Investments designed to encourage growth of Qualifying Borrowers in manufacturing, agro-processing, tourism, textile, garment, and other potential growth industry sectors.

The DCA guarantees continued a history of loan guarantees to EcoBank dating back to two Micro and Small Enterprise Development (MSED) program guarantees in 1996 and 2001. The MSED guarantees provided the foundation for EcoBank's SME portfolio growth. The 118 loans guaranteed under the 1996 MSED agreement represented 61 percent of the 194 loans in the bank's SME portfolio in 2002. This is not a perfect comparison because the MSED loans were distributed over the five years between 1996 and 2001 while the 194 loans in 2002 represent outstanding loans at that time. However, the numbers do illustrate the importance of the MSED-guaranteed loans to the bank's SME portfolio. In 2002, the value of outstanding MSED-guaranteed loans accounted for 26 percent of the EcoBank's total SME portfolio value. The DCA guarantees build on the foundation of the MSED guarantees by focusing on progressively larger loans and longer tenors. Table 3 summarizes key performance characteristics of the four credit guarantees to date.

TABLE 3: SUMMARY OF LOAN GUARANTEES IN GHANA

Starting year	Ending year	Type	Ceiling ($)	Utilization Amount ($)	Utilization Rate (%)	Number of Loans	Average size of Loans($)	Average tenor of Loans(days)	Number of Claims	Value of Claims($)
1996	2001	MSED	$2,000,000	$4,521,617	100.00%	118	$38,319	272	2	$3,320
2001	2006	MSED	$2,000,000	$6,877,153	100.00%	138	$49,834	612	8	$116,313
2003	2008	DCA	$3,000,000	$2,208,830	73.63%	6	$368,132	1206	2	$341,675
2005	2012	DCA	$7,000,000	$4,446,664	63.52%	4	$1,111,666	619	0	$ -

IV. PURPOSE OF THE EVALUATION

The Ghana DCA loan guarantee evaluation is the first in a series of about 20 evaluations of EGAT's Office of Development Credit (EGAT/DC) Development Credit Authority (DCA) credit guarantees which will be conducted over a four-year period. Each individual evaluation will address the performance of a particular guarantee. A meta evaluation will synthesize results from the individual evaluations to address broad questions of the performance of the DCA program. With the meta evaluation, EGAT/DC desires information "to (1) shape the dialogue about when/how to engage the private sector in development, (2) strengthen USAID's application of DCA as a tool for achieving development results, and (3) influence the project design of new guarantees." This report, however, deals only with the individual Ghana DCA guarantees. It does not directly address meta evaluation questions.

The individual evaluations address the performance of the guarantees from the perspective of EGAT/DC rather than that of the respective USAID Missions. The evaluations address the guarantees' performance at three levels – output, outcome, and impact defined as follows.

- Output level – Did EcoBank's use of the guarantees conform to guarantee objectives and specifications as described in the Guarantee Agreements?
- Outcome level – Did EcoBank's experience with the guarantees improve access to credit for enterprises in the target sectors outside of guarantee coverage?
- Impact level – Did the guarantees have a demonstration effect that improved access to credit for enterprises in the target sectors from the broader banking sector?

The scope of this evaluation thus extends only to the guarantee partner's behavior at the output and outcome levels and on the behavior of the broader banking sector at the impact level. The evaluation does not examine EGAT/DC's management of the guarantees nor does it attempt to assess the impacts of the loans on borrowers or on USAID/Ghana's objectives.

V. METHODOLOGY AND INDICATORS

A three-person team conducted the evaluation in Accra, Ghana between February 16 and 27, 2009. Prior to departing for Ghana, the team met with EGAT/DC to discuss evaluation objectives and procedures and to interview EGAT/DC personnel. The evaluation team also obtained and reviewed the following literature and data relevant to the evaluation prior to arriving in Ghana.

- Credit Monitoring System data for both the 2003 and 2005 guarantees
- Action Packages for both the 2003 and 2005 guarantees
- Guarantee Agreements for both guarantees
- Biennial Reviews for both guarantees
- Credit Review Board meeting notes
- Data (two spreadsheets and partial response to a data request) sent by Ecobank
- TIPCEE Annual Report, 10/05 – 9/06
- Ghana at a Glance (World Bank)
- Ghana Economic Memorandum (World Bank)
- IMF Survey (w/Ghana article)
- Ghana: Selected Issues (International Monetary Fund)
- Ghana: 2008 Article IV Consultation (International Monetary Fund)
- Economist Intelligence Unit (EIU) Country Report
- EIU Country Profile

After reviewing the data and literature, the team worked with EGAT/DC to refine an evaluation framework that defined the evaluation questions, data sources, data collection methods, and uses of the data. The evaluation framework provided the foundation for developing detailed interview guides for each potential source of data. Annex A contains the evaluation framework and the interview guides. Prior to departure the team also developed a work plan for conducting evaluation activities in Ghana.

Upon arrival in Ghana the team scheduled and conducted structured interviews with key stakeholders and others who could provide evidence for the evaluation.[12] The team also collected literature and secondary data to support the evaluation. Appendix B contains a list of interviews the evaluation team conducted. The Bibliography contains a complete list of documents reviewed by the evaluation team.

Based on the Action Packages, the Guarantee Agreements, the literature review, and data availability, the primary indicators of access to credit that are relevant to this evaluation are:

- Change in the number of MSMEs with loans and/or the value of lending to MSMEs.
- Change in interest rates for MSME borrowers.
- Change in collateral requirements for MSME borrowers.
- Change in loan tenors for MSME borrowers.

The evaluation attempted to obtain measures of each of these indicators at each relevant level of the evaluation (i.e., output, outcome, and impact).

[12] The evaluation team interviewed representatives of EcoBank; USAID/Ghana; the Millennium Challenge Corporation; TechnoServe; Chemonics/TIPCEE; the Ministry of Finance and Economic Planning; the Ghana Association of Microfinance Networks; the Ministry of Trade and Industry; the Ghana National Chamber of Commerce and Industry; the World Bank Institute of Statistical, Social, and Economic Research; the Bank of Ghana; the Ghana Association of Bankers; the International Finance Corporation; the World Bank; the Association of Rural Banks; Opportunity International; Millennium Development Authority; and the Association of Financial NGOs. See Annex B for a complete contact list.

DATA LIMITATIONS

The evaluation team encountered a number of limitations on the type and quality of data available to conduct the evaluation. The limited depth of data available to address some questions represented one such deficiency. For example, output and outcome level questions focused on the behavior of the guarantee partner and EcoBank and USAID were the sole authoritative sources for these data.[13] Similarly, few Ghanaian banks (perhaps five) have SME lending departments and could speak to impact level results. The result is that qualitative data presented in this report is often thin.

The target sectors (i.e., MSMEs' MFIs, and NGOs engaged in particular activities) presented another challenge. These sectors do not match sector definitions used by economic data sources. Specifically, financial data in Ghana is reported for 11 sectors -- Agriculture, forestry, and fisheries; Export trade; Manufacturing; Transport, storage, and communication; Mining and quarrying; Import trade; Construction; Commerce and finance; Electricity, gas, and water; Services; and Miscellaneous. The sectors targeted by the guarantees may cut across all of these sectors under which data are typically reported.

The divergence between the sectors targeted by the guarantees and those under which economic data are reported made it impossible to directly examine lending or other economic activity for the targeted sectors on a broad scale. Many organizations, however, focus on the SME sector and there is, therefore, some limited data on SMEs. Therefore, much of the analysis in this evaluation uses data on SMEs as a proxy for the target sectors of the guarantees. However, the SME sector is so large and varied that national-level data on the sector is very thin.

[13] Borrowers of guaranteed loans could have spoken to the issue of the impact of EcoBank's use of the guarantees on access to credit but the evaluation framework developed with EGAT/DC did not include data collection from borrowers.

VI. EXOGENOUS INFLUENCES ON GUARANTEE PERFORMANCE

Changes in macro-economic conditions and government policy have led to a substantial transformation of the Ghanaian banking sector during the period of performance of the DCA guarantees. These changes have substantially improved access to credit for individuals and for all range of businesses. To determine the impact of the DCA guarantees on access to credit, the evaluation must, to the extent possible, separate the impacts of the guarantees from the effects of factors external to the guarantees. The report's introduction described the broader lending environment in which EcoBank implemented the DCA guarantees and the host of external forces that have affected access to credit between 2002 (prior to the DCA guarantees) and the present. This section frames those factors in the context of their potential impact on the indicators used in the evaluation.

The general expansion of the banking sector, and corresponding increase in lending activity, is the most significant external factor affecting the number of MSMEs with loans or the aggregate value of lending to MSMEs. As discussed in the introduction, the reasons for the growth in the sector are many including macro-economic policy and regulatory reforms which created additional liquidity in the banking system, increased competition, and a strengthened lending environment. In fact, a particular challenge at the outcome and impact levels of this evaluation was to determine the impact of a very small number of guaranteed loans on the substantial growth in lending for EcoBank and for the larger banking sector.

Another indicator of improved access to credit is a change (reduction) in interest rates. However, other factors such as the country's fiscal policy (i.e., prime rate), bank's operational expenses, and competition among banks are likely to have a greater impact on interest rates than a small number of guaranteed loans. The same can be said of changes in collateral requirements, i.e., that government actions with respect to land tenure, credit bureaus, courts, and the rights of borrowers and lenders are likely to have a much greater impact on collateral requirements than will a small number of guaranteed loans to a single bank.

The capacity of potential MSME borrowers represents a significant barrier to credit in Ghana. USAID and other donors are making substantial investments in improving the capacity of MSMEs to contribute to economic growth. To the extent that these activities are successful, they should increase access to credit. This factor did not appear to be significant at the output level of this evaluation because the evaluation discovered no overlap between the clients of capacity-building technical assistance projects and recipients of guaranteed loans. It was not possible to determine the effect of capacity-building at the outcome or impact levels. As these activities mature and expand, they may become significant external determinants of access to credit.

Finally, the efforts of other donors and the Ghanaian government to improve access to credit will, if they are successful, represent external forces affecting the indicators used for this evaluation. Mensah (2004) identified 17 donor-supported efforts supporting MSMEs as well as at least one government-supported loan guarantee program.

VII. FINDINGS AND CONCLUSIONS

This section reviews evaluation findings and conclusions. Separate sections examine findings and conclusions at the output, outcome, and impact levels. Each section begins with a summary of the evaluation questions and then addresses each question separately stating first the conclusion and then presenting the findings to support the conclusion.

OUTPUT LEVEL FINDINGS AND CONCLUSIONS

At the output level the evaluation asked whether EcoBank used the guarantees to improve access to credit for enterprises in the target sectors. The evaluation framework specified three questions at the output level.

- Question 1: How did the DCA guarantees fit into EcoBank's ongoing strategy? What market potential did the DCA guarantee help open for EcoBank?
- Question 2: How did EcoBank implement its loan guarantee programs (e.g., marketing campaigns, changed terms, training, revised staff structure and responsibilities, improved communications with branch offices, etc.)? And why?
- Question 3: Did EcoBank's use of the DCA guarantees improve access to credit for the target sectors? (i.e., did characteristics of guaranteed loans differ from other loans in ways that improved access?)

The output level questions address EcoBank's behavior in utilizing the guarantees. Sources of evidence to answer the evaluation questions depended primarily on interviews with four senior individuals with EcoBank (the Country/Regional Risk Manager, Head of the Credit Administration Department, Retail Risk Manager, and the SME Department Head) who were most involved in administering the guarantees; EcoBank annual reports; data on the guaranteed loans obtained from EcoBank and USAID's Credit Management System (CMS); and reviews of USAID's Action Packages, Guarantee Agreements, and Biennial Reviews for both guarantees.

FINDINGS AND CONCLUSIONS FOR QUESTION 1

Question 1: How did the DCA guarantees fit into EcoBank's ongoing strategy? What market potential did the DCA guarantee help open for EcoBank?

Conclusion: The DCA guarantees complemented EcoBank's strategy to transition from a largely wholesale bank to a fully fledged retail bank with a corresponding increased emphasis on MSMEs. The guarantees allowed the bank to gain experience with new industries/sectors and types of lending (i.e., financing capital investments) that complemented this strategy.

Findings: Since its transition from a merchant bank to a universal bank in 2003, EcoBank has shifted its focus from being a predominantly wholesale bank to a fully fledged retail bank.[14] Bank personnel stated that EcoBank seeks to elevate retail banking to 50 percent of its business although the economic downturn in 2008 has delayed attainment of this goal. Retail banking implies includes a greater focus on MSMEs, high net worth individuals, salaried workers, religious organizations, educational institutions, health institutions, and clubs and associations.[15] The strategy thus generally coincides with an increased focus on the industries/sectors targeted by the DCA guarantees (i.e., MSMEs). As one element of its pursuit of this strategy, EcoBank formed a partnership (EB-ACCION Savings and Loan) with a leading microfinance institution in 2006 to extend its reach into microfinance savings mobilization and lending.[16]

[14] EcoBank Annual Report, 2005.
[15] EcoBank Annual Report, 2006.
[16] http://www.eb-accion.com/. Accessed: March 8, 2009.

An EcoBank official familiar with the bank's SME lending strategy spoke to the importance of the guarantees in providing EcoBank the opportunity to test the potential of new firms, industries, and types of lending in which the bank had little or no previous experience. EGAT/DC's Biennial Reviews of the guarantees corroborated this finding stating that the guarantees (and especially the MSED guarantees) "are used by Ecobank as an exploratory research laboratory for testing the creditworthiness of potential clients."

Information provided by EcoBank on pre-guarantee lending to the firms that received guaranteed loans and to the industries/sectors they represent suggests that EcoBank used the guarantees to test new customers, new industries/sectors, and longer-term financing for capital expenditures. Table 4 summarizes EcoBank's pre- and post-guarantee experience with the firms and industries to which it provided guaranteed loans. The first column lists individual borrowers by their industry. The second and third columns show EcoBank's pre-guarantee lending experience with each individual borrower. The final column shows the type of loan provided under the guarantee.

TABLE 4: ECOBANK EXPERIENCE WITH BORROWERS/INDUSTRIES RECEIVING GUARANTEED LOANS

Borrower and industry	Pre-guarantee Experience with borrower	Pre-guarantee Experience with industry	Guaranteed loan type
Agricultural processing (vegetable oil milling)	None	Long-term and short-term loans	Long-term loan
Rubber and plastics products manufacturing	None	Short-term loans	Long-term loan
Garment manufacturer	None	Short-term loans	Long-term loan
Garment manufacturer	None	Short-term loans	Long-term loan
Land development	Short-term loans	None	Long-term loan
Well drilling	Short-term loans	Short-term loans	Long-term loan
Mining and quarrying	None	None	Long-term loan
Microfinance institution	Short-term loans	Short-term loans	Long-term loan
Microfinance institution	Short-term loans	Short-term loans	Long-term loan
Shore handling	None	None	Long-term loan

Key findings include:

- Of the nine unique borrowers (one borrower received two loans) under the DCA guarantees, six represented new clients for EcoBank.
- Of the nine unique borrowers under the DCA guarantees, eight received long-term loans to finance capital expenditures. None had received such loans prior to the guarantee. The ninth, an MFI, received two large, long-term loans for on-lending to micro-enterprises.
- Of the eight sectors/industries represented by the borrowers of guaranteed loans, EcoBank had no previous experience with three and had provided long-term loans to only one.

An EcoBank official intimately involved in the guarantees and in lending strategy stated that the DCA guarantees were critical to increasing the bank's capacity to structure long-term investment transactions.

FINDINGS AND CONCLUSIONS FOR QUESTION 2

Question 2: How did EcoBank implement its loan guarantee programs (e.g., marketing campaigns, changed terms, training, revised staff structure and responsibilities, improved communications with branch offices, etc.)? And why?

Conclusion: EcoBank integrated the guarantee into its normal loan assessment process. It did not provide any special training or alter normal loan assessment procedures. It did not actively market the guarantee to potential borrowers because of the risk of moral hazard.

Findings: EcoBank integrated the implementation of the guarantee program into its existing loan assessment process. The normal process is for branch-level relationship managers to meet with loan applicants and make an accept/reject recommendation to the branch manager who then makes a recommendation to the credit committee at EcoBank headquarters in Accra. The credit committee makes the final ruling on loans but will not over-rule a branch's decision to reject a loan because the branch bears the responsibility for bad loans.

Consideration of the guarantees enters into the process in two places. First, EcoBank informed relationship managers and branch managers by email or telephone of the availability and function of the guarantee. The relationship managers and branch managers take this into consideration when deciding whether to recommend a loan to the credit committee. The branches may, and do according to the one EcoBank official, recommend loans specifically for the guarantees that they would not have recommended without the guarantee. Second, the credit committee may also advise a branch to reconsider a rejection in light of the guarantee.

EcoBank does not advertise or market the guarantees to potential borrowers because of the risk of moral hazard. Three people the evaluation team interviewed (two representatives of the banking sector and one government representative) spoke of a history in Ghana of government-backed loan guarantees with little penalty for default. These individuals, including EcoBank, believed that borrower awareness of the guarantees would increase the likelihood of default.

FINDINGS AND CONCLUSIONS FOR QUESTION 3

Question 3: Did EcoBank's use of the DCA guarantees improve access to credit for the target sectors? (i.e., did characteristics of guaranteed loans differ from other loans in ways that improved access?)

Conclusion: EcoBank's use of the guarantees improved access to medium and long-term credit for some firms in the target sectors. The guarantees gave EcoBank the protection from risk necessary to extend loan sizes and tenors beyond its typical range. The guaranteed loans focused on the upper end of the spectrum of qualified borrowers by size. In fact, loan sizes appear consistent with lending almost exclusively to medium-sized enterprises. Guaranteed loans were larger, and consequently fewer in number, than anticipated by USAID/Ghana but still fell within the size and tenor parameters established in the Guarantee Agreements. Special waivers (2003 guarantee) and overly broad and imprecise definitions of target sectors (2005 guarantee) rendered the target sectors defined in the Guarantee Agreements irrelevant.

Findings: At the output level (i.e., EcoBank behavior within the guarantees) improved access to credit means that EcoBank used the guarantees to provide new credit or new types of credit to borrowers who would not have received the credit without the guarantees. The bank may make credit, or types of credit, more available by offering larger and longer-term loans, reducing interest rates to make loan more affordable, or reducing collateral requirements. These criteria reflect the objectives articulated in the Action Packages of "introducing medium and long-term capital to industries and economic sectors that have, to date, been under-represented in the Ghanaian financial sector," encouraging a reduction in collateral requirements, and extending average loan maturity periods. The findings presented here show first that EcoBank's use of the guarantees improved access to credit (i.e., that loan recipients would not likely have received the loans without the guarantee) and then that the characteristics of guaranteed loans were generally consistent with [imprecisely defined] USAID/Ghana objectives.

The guaranteed loans represent improved access to credit only if EcoBank would not have made the loans, or would not have offered the terms, outside of the guarantees' coverage. Two sources of evidence – statements by EcoBank personnel responsible for approving guaranteed loans and a comparison of the characteristics of guaranteed loans to those of the bank's overall SME portfolio – suggest that this is so.

The small number of guaranteed loans afforded the evaluation team the opportunity to review each loan individually with EcoBank personnel. The team asked bank personnel, including those responsible for authorizing the guaranteed loans, whether the bank would have extended the loans without the guarantees and the primary reasons the bank chose to place the loans under the guarantees. These personnel said that EcoBank would have extended the type of loans it did (i.e., long-term capital financing) to only one of the loan recipients without the guarantee. Even in this case (the MFI), the bank would have required much greater security without the guarantee. The primary reasons for placing the loans under the guarantees were the increased risk associated with lending to firms/industries in which the bank had little experience and the relatively large size and long tenor of loans associated with capital financing.

The size and tenor of the guaranteed loans also differ significantly from those of the bank's overall SME portfolio. This provides additional evidence that the guarantees improved access to credit by encouraging EcoBank to make loans that it would not have made without the guarantees. Table 5 shows the distribution of loans by size for EcoBank's SME portfolio and for the guaranteed loans. All of the guaranteed loans fall within the top eight percent of loans by size and 60 percent fall within the top two percent. Guaranteed loans account for 43 percent of loans over $1 million and 22 percent of loans over $250,000.

TABLE 5: DISTRIBUTION OF ECOBANK'S SME LOANS BY SIZE

	SME portfolio		Guaranteed loans	
Loan size ($)	Number	Cumulative percent	Number	Cumulative percent
$1 - $50,000	504	63.6%	0	0.0%
$51,000 - $99,000	137	80.9%	0	0.0%
$100,000 - $249,000	92	92.6%	1	10.0%
$250,000 - $499,000	32	96.6%	3	40.0%
$500,000 - $749,999	13	98.2%	3	70.0%
$750,000 - $999,000	7	99.1%	0	70.0%
$1,000,000 - $4,999,999	7	100.0%	3	100.0%

Source: EcoBank

The guaranteed loans also had longer tenors than the bank's typical SME loans. Guaranteed loans had tenors of between 22 and 60 months (Table 7) with average tenors of 40 months (2003 guarantee) and 27 months (2005 guarantee). These tenors are well above the average tenor of 12 months in EcoBank's overall SME portfolio.[17]

The longer tenors and larger loan sizes reflect the bank's focus on using the guarantees to finance relatively risky capital investments rather than working capital and are entirely consistent with Action Package objectives. Capital investment loans are riskier because they are relatively large and require longer tenors for repayment. Nevertheless, loans placed under the guarantees were much larger and consequently far fewer in number, than anticipated by USAID/Ghana. Table 6 illustrates the divergence between anticipated and actual loan characteristics under the 2003 and 2005 guarantees. EcoBank placed only six loans under the guarantee in 2003 with an average value ten times that anticipated in the Action Package. In 2005 the bank placed less than one-seventh of the anticipated number of loans under the guarantee with average values more than five times the anticipated average loan size.

TABLE 6: ANTICIPATED VERSUS ACTUAL LOAN CHARACTERISTICS

	2003 DCA Anticipated	2003 DCA Actual	2005 DCA Anticipated	2005 DCA Actual
Number of loans	80	6	35	4
Size of loans ($)	$37,000	$368,132	$200,000	$1,111,666
Tenor (months)	24	40	36	21

Source: 2003 and 2005 Action Packages, EcoBank loan records.

USAID/Ghana and EcoBank developed the target loan sizes and numbers based on characteristics of EcoBank's SME portfolio at the time the guarantees were put in place. They thus reflect past experience more than a considered attempt to select loan sizes consistent with accomplishing USAID/Ghana's objectives. The anticipated loan numbers and sizes were not binding, however, and EcoBank used the guarantees specifically to expand its outreach into the market for larger loans required for capital investments – a direction that is entirely consistent with the Action Package objective of "introducing medium and long-term capital to industries and economic sectors that have, to date, been under-represented in the Ghanaian financial sector."

The evaluation also examined the size of the guaranteed loans and sectors represented by recipient enterprises relative to the target sectors described in the Guarantee Agreements. Table 7 summarizes guaranteed loans by industry. The Guarantee Agreement for the 2003 guarantee defined specific qualifying borrowers and projects as any small, medium, or large enterprises or microfinance institutions (MFIs) with activities in agriculture, agricultural processing, salt mining/production, fisheries, tourism, value added processing of wood products, and textiles and garments. The comparison of guaranteed loan sizes with all of EcoBank's SME loans (Table 4) suggests that the guaranteed loans were to enterprises at the upper end of the small-medium-large spectrum. Many of the loans under the 2003 guarantee also do not appear to satisfy the definitions of qualifying sectors/industries as defined in the Guarantee Agreement. USAID/Ghana, however, approved each loan under the 2003 guarantee and explicitly waived the target sector requirement.[18]

[17] Based on data provided by EcoBank.
[18] Personal communication from Kofi Owusu-Boakye, EGAT/DC.

TABLE 7: LOAN SUMMARY BY INDUSTRY

Type of enterprise	Purpose of loan	Loan amount ($)	Loan tenor (months)
Agricultural processing (vegetable oil milling)	Capital equipment, working capital, and other expenses	$500,000	51
Rubber and plastics products manufacturing	Capital equipment purchase	$240,000	24
Garment manufacturer	Capital equipment purchase	$250,000	48
Garment manufacturer	Capital equipment purchase	$500,000	60
Land development	Capital equipment purchase	$260,145	30
Well drilling	Capital equipment purchase	$458,644	25
Mining and quarrying	Capital equipment purchase	$1,400,000	22
Microfinance institution	On-lending to micro-enterprises	$1,007,005	25
Microfinance institution	On-lending to micro-enterprises	$1,400,000	24
Shore handling	Capital equipment purchase	$665,188	36

The 2005 guarantee focused on somewhat smaller enterprises than the 2003 guarantee adding micro-enterprises and NGOs and dropping large enterprises. It is less specific about qualifying projects than is the 2003 guarantee authorizing loans for growth-enhancing investments in sectors *such as* manufacturing, agro-processing, tourism, textile, garment, and other potential growth industries. In spite of eliminating large enterprises, however, loans under the 2005 guarantee were even larger than those under the 2003 guarantee. Virtually any sector/industry could qualify for a guaranteed loan under the broad definitions of the 2005 Guarantee Agreement. All loans were thus to qualified borrowers.

In spite of relatively large loan sizes under both guarantees, the sizes appear generally consistent with the SME target.[19] Nevertheless, one person outside of EcoBank who was intimately familiar with the rationale for and details of the guarantee agreements questioned whether the shore handling company was an SME. He acknowledged, however, that there was no formal definition of SMEs in Ghana.[20] Furthermore, two of the largest loans went to start-up companies which would have been relatively small at the time the loans were disbursed.

The 2003 Action Package restricts qualifying loans to no more than $600,000 and tenors to between 18 and 60 months. The 2005 Action Package specified a maximum loan size of $1,400,000 and tenors of no more than 36 months. The loans placed under the guarantees generally satisfied these criteria although two of the loans (representing 54 percent of the loan value disbursed) placed under the 2005 guarantee were for the maximum allowable size. As with the anticipated loan sizes and numbers, the maximum loan sizes defined in the Guarantee Agreements likely reflect standard agreement language rather than any deliberate decision by USAID/Ghana.

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[19] When identifying SMEs from bank loan records in developing countries, the World Bank's International Finance Corporation uses loan sizes of $10,000 to $100,000 as a proxy for small enterprises and loans between $100,000 and $1 million as a proxy for medium enterprises (IFC undated).

[20] In fact, EcoBank defines SMEs as enterprises with less than $250,000 in assets (excluding land and buildings) and between $250,000 and $5 million in annual turnover. Alternative definitions include the number of employees (Bank of Ghana 2007). The EcoBank definition is more restrictive than that used by the National Board for Small Scale Industries which defines medium-sized enterprises as having fixed assets up to $1 million (Mensah 2004).

Guarantee Agreements can specify any maximum allowable loan size up to 20 percent. Both agreements specified the standard 20 percent maximum.

While direct recipients of guaranteed loans were generally larger enterprises, the loans to the MFI likely improved access to credit for MSMEs indirectly. Guaranteed loans to the MFI totaled over $2.4 million and accounted for 54 percent of the value of loans under the 2005 guarantee. The MFI is large with $20.9 million disbursed to 117,528 borrowers in 2007.[21] Its portfolio in 2007 consisted of 82 percent micro-enterprises and 18 percent SMEs. Most of the MFI's borrowers (60 to 70 percent) are traders, about 20 percent are production and manufacturing enterprises, and about ten percent are service providers. Because of the largely urban location of the MFI's branches, agricultural enterprises make up only two to three percent of borrowers.[22] This is significant because, according to a person involved in writing the 2003 and 2005 Action Packages, MFIs were included as a target sector specifically to improve access to credit for agricultural enterprises.

According to its Chief Financial Officer, the MFI that received the guaranteed loan is among the strongest financially in Ghana but it still needs to borrow money to cover lending during peak seasons. By providing funds to the MFI for on-lending to MSMEs, the guaranteed loan from EcoBank likely indirectly increased access to credit for the lower end of the target sectors' spectrum.

EcoBank personnel reported some modifications in the bank's approach to collateral attributable to the DCA guarantees. In particular, the bank has relaxed its requirement that collateral be in the form of landed property and is now encouraging borrowers to build up savings to serve as 50 percent of collateral. This approach reduces the dependence on property as collateral but still requires that borrowers hold assets (cash or property) to secure the loan. Neither EcoBank nor any other person the evaluation team interviewed said that banks had reduced the value of collateral (in whatever form) required to obtain a loan.

OUTCOME LEVEL FINDINGS AND CONCLUSIONS

At the outcome level, the evaluation addressed whether EcoBank's experience with the guarantees improved access to credit for enterprises in the target sectors outside of the coverage of the guarantees. Specific evaluation questions are:

- Question 4: Did EcoBank improve access to credit to the target sectors outside of the DCA guarantees (i.e., did the bank move into any new sectors/industries, types of borrowers, types of loans, or loan terms)? If so, how and why and to what extent were the DCA guarantees responsible for improving access to credit outside of the guarantees?
- Question 5: What factors at EcoBank were responsible for achieving desired outcomes (e.g., TA; bank staff training; revised bank strategy, procedures and structure; new management, etc.)?

FINDINGS AND CONCLUSIONS FOR QUESTION 4

Question: Did EcoBank improve access to credit to the target sectors outside of the DCA guarantees (i.e., did the bank move into any new sectors/industries, types of borrowers, types of loans, or loan terms)? If so, how and why and to what extent were the DCA guarantees responsible for improving access to credit outside of the guarantees?

Conclusion: EcoBank increased its lending to SMEs substantially since becoming a guarantee partner. However, the growth largely reflects the bank's ongoing strategy to increase retail lending rather than an impact of the guarantees. Experience with the DCA guarantees prompted the bank to increase lending to some new industries

[21] MFI annual reports and website.
[22] MFI annual reports and website.

and to extend some long-term loans for capital expenditures outside of the guarantee coverage. However, these increases were small relative to the bank's overall SME loan portfolio.

Findings: EcoBank substantially increased the volume and value of its lending to all sectors between 2002 (pre-DCA guarantee) and 2008. The number of loans increased 1944 percent from 461 in 2002 to 9,422 in 2008 while the value of loans increased by 355 percent from $93 million to $423 million. The number of loans to SMEs also increased during the time period but more slowly (from 194 to 932, a 380 percent increase) than the overall portfolio. The value of SME loans, however, increased by a greater percentage ($12 million to $72 million, a 500 percent increase) than the overall portfolio which increased 353 percent from $93 million to $422 million. The growth in the overall portfolio and in the SME portfolio in particular, reflects EcoBank's strategy to increase retail lending relative to wholesale lending.[23] Figures 4 and 5 illustrate the growth in the volume and value of EcoBank's overall and SME loan portfolios between 2002 and 2008.[24]

FIGURE 4: GROWTH IN ECOBANK'S LOAN PORTFOLIO BY VOLUME, 2002-2008

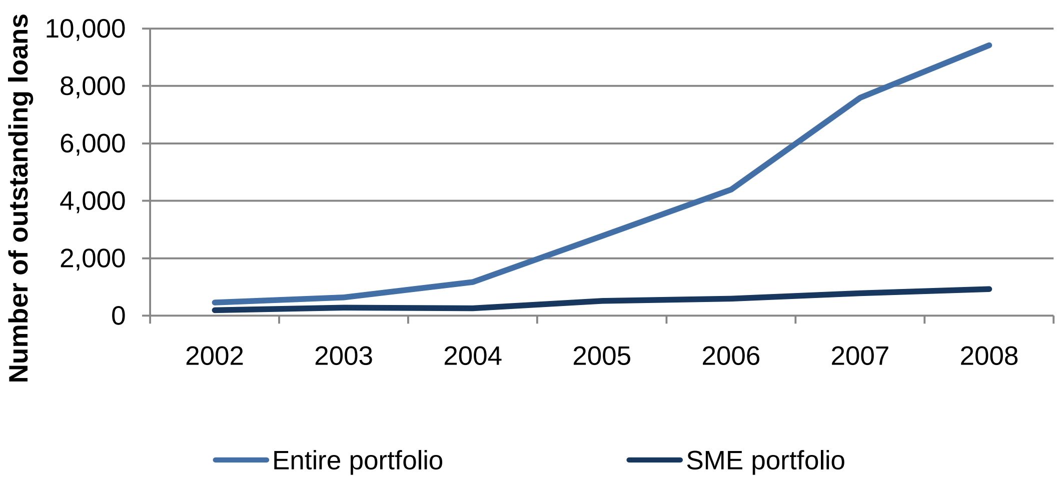
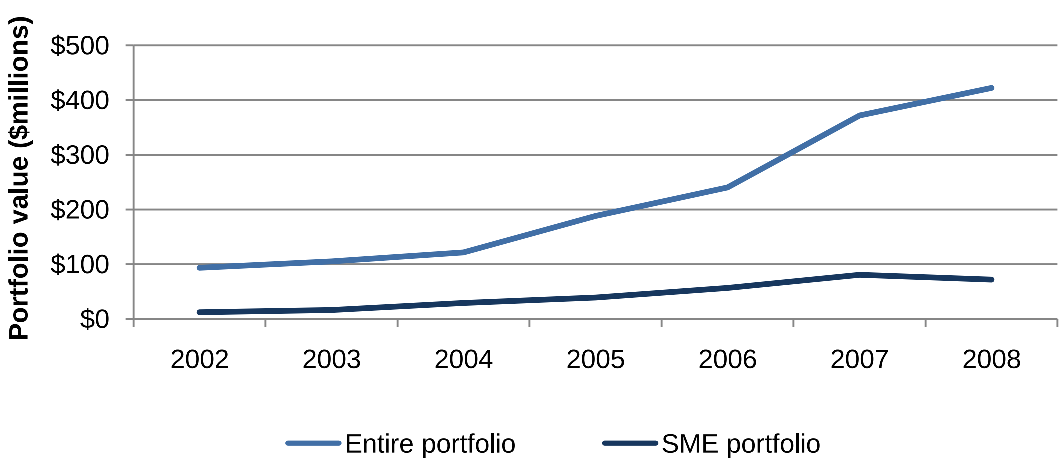


FIGURE 5: GROWTH IN ECOBANK'S LOAN PORTFOLIO BY VALUE, 2002-2008



[23] Retail lending includes loans to SMEs and to individuals while wholesale lending includes lending to large enterprises.
[24] Data provided by EcoBank.

EcoBank personnel stated that the guarantees made, at most, a minor contribution to the growth in EcoBank's SME portfolio. Based on the volume and value of the bank's SME loans in 2008, the ten guaranteed loans with a total value of $6.6 million accounted for only one percent of all SME loans and nine percent of the value of SME loans. However, the guarantees did influence the bank's lending to particular industries and for particular types of loans (i.e., long-term capital financing and lending to MFIs).

An EcoBank official familiar with the bank's SME strategy stated that the ability to test these new industries/sectors within the guarantee was critical to the bank's lending in these industries/sectors outside of the guarantee coverage.

Data on pre- and post-guarantee lending in the industries represented by borrowers of guaranteed loans bear this out to some extent. Of the eight industries/sectors represented, EcoBank had no pre-guarantee experience with two – land development and shore handling. Of the remaining six, the bank had provided only short-term loans to four (garment manufacturing, plastics products manufacturing, well drilling, and MFIs) and capital investment loans to two (agro-processing and mining and quarrying).[25] Table 8 summarizes pre- and post-guarantee experience with each of the industries represented by recipients of guaranteed loans.

TABLE 8: CHANGE IN ECOBANK'S LENDING BEHAVIOR SINCE THE GUARANTEES

Industry	Pre-guarantee experience		Post-guarantee experience	
	Number of loans	Type of loans	Number of loans	Type of loans
Agricultural processing	2	Long-term and short-term loans	1	Long-term capital investment
Plastics products manufacturing	10	Short-term working capital loans	11	Long-term capital investment
Garment manufacturing	1	Short-term working capital loans	1	Long-term capital investment
Land development	0	None	1	Long-term capital investment
Well drilling	1	Short-term working capital loans	0	N.A.
Mining and quarrying	3	Long-term and short-term loans	2	Long-term capital investment
Microfinance institutions	3	Short-term loans	4	Long-term loans
Shore handling	0	None	1	Long-term capital investment

EcoBank has continued to lend without a guarantee to seven of the eight industries/sectors represented by recipients of guaranteed loans. It has also extended loan tenors for borrowers in these industries as it focused on financing capital expenditures.

EcoBank personnel also spoke of the importance of the guarantees to the bank's willingness to take on the additional risk of long-term financing for capital expenditures. They said that its experience with the DCA

[25] Data provided by EcoBank.

guarantees was crucial to the bank increasing the number of larger, long-term loans for capital expenditures in recent years. The guaranteed loans exposed the bank to new industries and provided the opportunity to learn about those industries so it could better evaluate lending risk. Bank officials recounted several examples where a guaranteed loan provided them the comfort they needed to pursue future lending outside the guarantees.

- EcoBank made two guaranteed loans to an MFI for on-lending to micro-enterprises. The loans were larger, had longer tenors, and required less security than the bank had previously provided to an MFI. Bank officials said that the comfort the bank gained with the loans was directly responsible for the bank's decision to extend a non-guaranteed $2 million loan to another MFI. The loan recipient had recently improved its management capacity and this was another important factor in the decision to extend the loan.
- Ecobank extended a capital investment loan to a shore handling company under the 2005 guarantee. The bank had no previous experience in this industry. The bank has gone on to provide non-guaranteed loans to five stevedoring companies, an industry closely related to shore handling. Bank officials said that the experience gained with the shore handling company was very responsible for the bank's decision to lend to stevedoring companies.
- EcoBank had limited experience (i.e., one working capital loan) in the mining and quarrying sector prior to the DCA guarantees. The bank used the 2005 guarantee to extend a large, medium-term loan to a mining and quarrying company. The knowledge the bank gained of the industry because of the guaranteed loan encouraged it to make additional loans in the sector outside the guarantee.

In spite of qualitative evidence that EcoBank is extending long-term loans outside of the guarantee coverage, the limited quantitative data (i.e., that the guaranteed loans comprise such a large percentage of the bank's larger loans (Table 5) suggest that the practice is not widespread.

The performance of the guaranteed loans suggests that EcoBank did use the guarantees to take on riskier loans than it might have otherwise. EcoBank reported an overall default rate in its SME portfolio of between five and ten percent between 2002 and 2008. EGAT/DC paid claims of $341,675 on two loans under the 2003 DCA agreement, however, implying losses of $683,350.[26] EcoBank therefore experienced a 31 percent default rate on loans guaranteed under the 2003 agreement[27] and a default rate over both DCA guarantees of 10 percent.[28]

FINDINGS AND CONCLUSIONS FOR QUESTION 5

Question: What factors at EcoBank were responsible for achieving desired outcomes (e.g., TA; bank staff training; revised bank strategy, procedures and structure; new management, etc.)?

Conclusion: The single most important factor affecting EcoBank's performance relative to guarantee objectives was its desire, articulated in its strategy, to increase lending to MSMEs.

Findings: EcoBank is aggressively pursuing the MSME market. It has dramatically increased lending to the SME sector since implementing its strategy to focus on retail banking. And it has formed a partnership with a leading MFI (EB-ACCION) to gain access to microfinance lending. The growth in EcoBank staff engaged in SME lending (from eight in 2002 to 48 in 2008) emphasizes the bank's commitment to increased SME lending.

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[26] EGAT/DC guarantees only 50 percent of the loss of principle.
[27] Based on total disbursements of $2,208,789 (USAID Credit Management System and EcoBank).
[28] Based on total disbursements of $6,655,453 (USAID Credit Management System and EcoBank).

IMPACT LEVEL FINDINGS AND CONCLUSIONS

At the impact level, the evaluation asked whether the guarantees, through a demonstration effect, improved access to credit for enterprises in the target sectors from the broader banking sector. The 2005 Action Package articulates the intended impact level result as follows.

> "USAID/Ghana hopes to demonstrate to a large proportion of the financial community the profitability and sustainability of lending to these segments [target sectors] of the economy. It will also demonstrate the possibility of making long term loans to these "risky" borrowers."

Specific evaluation questions are:

- Question 6: Did other, non-partner banks initiate or increase lending to the target sectors? If so, to what extent was the DCA guarantee to EcoBank responsible? How and why?
- Question 7: Did access to loans (or loan terms) improve for loans to the target sectors? If so, how and why?

FINDINGS AND CONCLUSIONS FOR QUESTION 6

Question: Did other, non-partner banks initiate or increase lending to the target sectors? If so, to what extent was the DCA guarantee to EcoBank responsible? How and why?

Conclusion: Lending to MSMEs (a proxy for the target sectors of the guarantee) has increased substantially in Ghana since 2002 (pre-guarantee). Anecdotal evidence suggests that loan guarantees may have a demonstration effect. However, given the small number of industries/sectors represented by EcoBank's guaranteed loans, the effect of the DCA guarantees is likely very modest. Factors external to the guarantees (i.e., overall growth in SME lending resulting from increasing bank liquidity and increased bank focus on the MSMEs sector) are likely responsible for most of the observed increase in lending to MSMEs.

Findings: Financial institutions and government economic data sources do not report data for the specific industries/sectors targeted by the guarantees. The closest proxy measure for which data are available is lending to SMEs and MSMEs. However, these data are also limited by a lack of formal data collection. The following analysis thus rests primarily on triangulating data from several sources including special SME studies and extrapolation from other sources. These include:

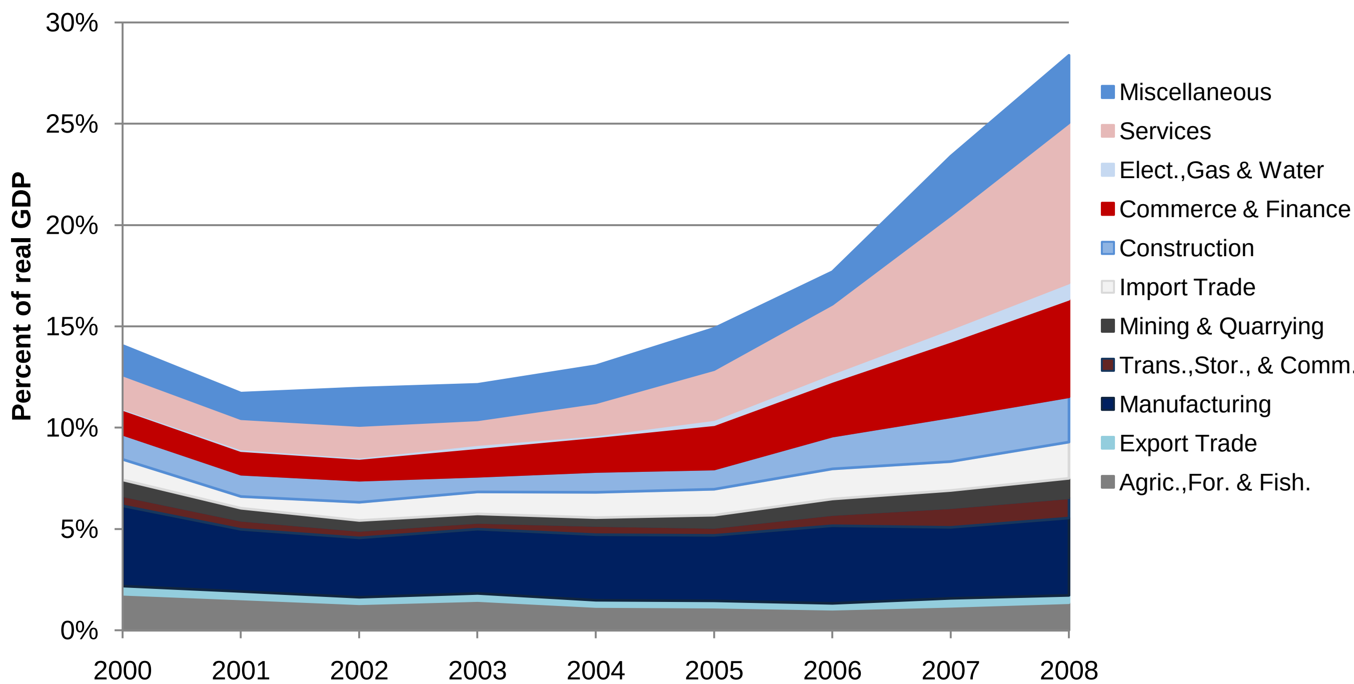
- Analysis of deposit money banks'[29] (DMB) lending by sector showing an increase in lending to sectors dominated by SMEs.
- Survey data on the growth of SME portfolios for banks with SME departments.
- Growth in Ghanaian microfinance institutions' (Community and Rural Banks, Savings and Loan Companies, Financial NGOs, and Credit Unions) loan portfolios which are comprised largely of MSMEs.
- Estimates of growth in SME lending from the Bank of Ghana's Monetary Policy Committee.

The various sources of evidence all point to a substantial increase in access to credit for MSMEs.

[29] Deposit money banks include Commercial Banks, Merchant Banks, Development Banks, and Universal Banks. Since the Banking Law of 2004, most merchant and commercial banks in Ghana have transitioned to universal banks.

Deposit Money Bank lending: Figure 6 shows substantial growth in total DMB lending to the private sector by sector between 2000 (pre-DCA guarantee) and 2008. Total DMB lending to the private sector as a percentage of real GDP increased from 14 percent in 2000 to 28 percent in 2008 – a 100 percent increase. The figure does not directly illustrate changes in lending to SMEs. However, the agriculture and retail trade (included in commerce and finance) sectors contain many SMEs.[30] The substantial increase in lending to the commerce and finance sector thus suggests increased DMB lending to SMEs.

FIGURE 6: DEPOSIT MONEY BANKS CREDIT TO PRIVATE SECTOR AS PERCENT OF REAL GDP



SME lending survey: The evaluation team also conducted an email survey of five universal banks (Zenith Bank, Amalgamated Bank, International Commercial Bank, Standard Chartered Bank, and Barclays Bank) with SME departments to ask about increases in SME lending. The two of the three banks that responded reported substantial increases (257 percent and 450 percent) in the value of their SME portfolios between 2002 and 2008.

Microfinance institution lending: Microfinance institutions have also substantially increased lending between 2001 and 2006 (the period for which data are available). Figure 7 illustrates growth in MFI lending. Since MFIs focus on the MSME market, the growth in MFI lending directly reflects growth in availability of credit to MSMEs. In 2006, lending by MFIs comprised about ten percent of all private sector lending.[31] Rural and Community Banks account for most of this lending and these banks serve primarily rural and peri-urban communities where loans finance activities in agriculture and micro-enterprises.[32]

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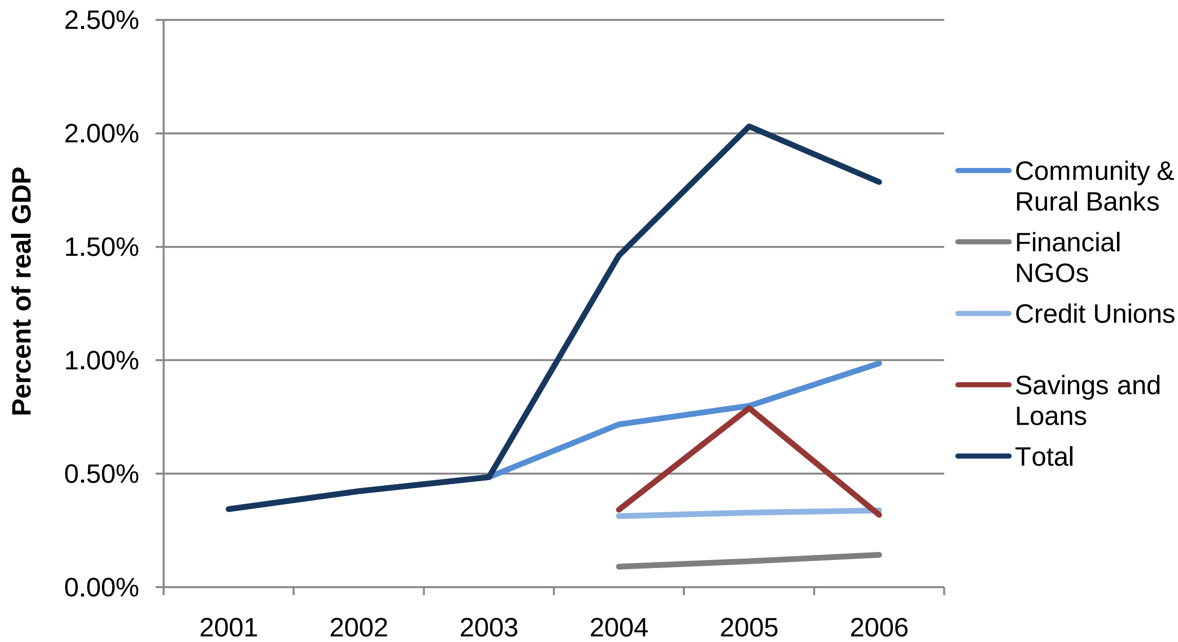
30 Interviews with a prominent member of the banking sector and a government official in the Ministry of Finance and Economic Planning.

31 Based on data on DMB and Rural and Community Bank lending from the Bank of Ghana's Monetary Time Series, Statistical Releases, and Statistical Bulletins (http://www.bog.gov.gh/, Accessed: March 10, 2009) and MFI lending estimates from the Ghana Microfinance Institutions Network (GHAMFIN) as reported in (Ghana Microfinance Institutions Network 2008).

32 Ghana Microfinance Institutions Network (GHAMFIN).

FIGURE 7: GROWTH IN CREDIT FROM MICROFINANCE INSTITUTIONS, 2001-2006



Bank of Ghana SME Survey: A 2005 Bank of Ghana survey on credit to SMEs found that:

> "The share of SMEs in total exposure of banks has increased from 0.95 percent of GDP in 2001 to 1.54 percent of GDP by 2004; whereas total credit to the private sector increased from 11.8 percent to 13.05 percent of GDP over the same period. This is an indication that these enterprises are sharing in the general growth in lending. The swings in lending in favor of SMEs are more pronounced in commerce, less so for agriculture, services and manufacturing, and weakest for the transport and other sectors."[33]

Increased Access to Credit: The above evidence shows that the financial sector has improved access to credit for MSMEs – that is, more MSMEs are obtaining credit now than in the period prior to the DCA credit guarantees. The remainder of this section reviews the factors responsible for increased access to credit and the likely role of the DCA guarantees.

The "Exogenous Influences on Guarantee Performance" section of this report provides a complete discussion of external factors affecting increased lending to MSMEs. The evidence that the increase in SME lending is largely an outgrowth of an increasingly competitive banking sector that is actively seeking clients is overwhelming. Every person the evaluation team asked about the factors affecting SME access to credit cited the increasingly competitive banking sector that is actively seeking clients is overwhelming.

Impact of DCA guarantees: Several examples suggest that the DCA guarantees had an impact on increased access to MSME credit at the margin (i.e., for the specific industries or firms represented by recipients of guaranteed loans). Given the small number of guaranteed loans to a limited number of sectors, however, the demonstration effect is likely small compared to the influence of the broader lending environment.

[33] Reported in the July, 2005 press release of the Bank of Ghana's Monetary Policy Committee. http://www.bog.gov.gh/index1.php?linkid=131&archiveid=302&page=4&adate=25/07/2005&SearchString=SMEs%20survey#302 . Accessed February 25, 2009.

Evidence from Ghana suggests that a demonstration effect is possible. An individual who manages another loan guarantee program described his observation of impact level results of his program. He said he had observed an increase in lending to the target sectors by non-guaranteed banks and attributed that increase in part to the demonstration effect of his program. He described the impact pathway as follows. Non-guaranteed banks observe the performance (i.e., loan servicing) of a guaranteed loan for a period of time. If the loan is performing well, these banks approach the borrower to learn about loan terms and begin to enter the market if they can compete. An additional impact of the guarantees is that these non-guaranteed banks have extended loan tenors (i.e., to 24 months compared to their usual 12 months) in a move towards the 60 month tenors provided by the guarantees he manages.

Another person familiar with loan guarantees in Ghana also observed this behavior. He believed that the success of a bank in a sector attracts the attention of competitors who then explore entering the market. He, and EcoBank personnel, had also observed bank customers shopping loan terms around to other banks – particularly when trying to refinance a loan. This represents another pathway to disseminating longer tenors to the broader financial sector.

Evidence from a survey of five universal banks with SME lending programs conducted by the evaluation team confirmed this finding. The three banks that responded stated that other banks' experience in different industries and with different loan sizes or tenors was either "very" or "somewhat" important in determining the banks lending strategy.

FINDINGS AND CONCLUSIONS FOR QUESTION 7

Question: Did access to loans (or loan terms) improve for loans to the target sectors? If so, how and why?

Conclusion: Banks and MFIs have substantially increased lending to MSMEs indicating an increase in access to credit. There is no evidence of widespread reductions in interest rates, increases in loan tenors, or reductions in collateral requirements for SME lending in Ghana.

Findings: The Ghana Microfinance Institutions Network (GHAMFIN) (Ghana Microfinance Institutions Network 2008) reports that MFIs provided loans to 800,000 MSMEs in 2007 but there are no comparable data on bank lending. Thus, while the value of lending to MSMEs has increased substantially, it is difficult to quantify the overall extent of access to credit.

Two studies of interest rate spreads in Ghana revealed little change in lending interest rates over time (Akoena, Aboagye, and Antwi-Asare undated; Gockel and Mensah 2006). EcoBank officials also said that the banks had not reduced interest rates for guaranteed or non-guaranteed loans. Representatives of the banking sector interviewed by the evaluation team, as well as other knowledgeable of the banking sector, reported that banks did not generally compete on interest rates.

The evaluation team also found only limited anecdotal evidence of changes in collateral requirements. One USAID TA contractor said that some banks had reduced collateral requirements for loans in the agricultural sector but did not believe the practice was widespread. An EcoBank official stated that banks compete for qualified borrowers through their customer services rather than through interest rates or collateral requirements citing examples of relationship managers being available to customers 24 hours per day.

VIII. SUMMARY OF CONCLUSIONS

In summary, the conclusions of the evaluation at the output, outcome, and impact levels are as follows.

OUTPUT CONCLUSIONS

- The DCA guarantees complemented EcoBank's strategy to transition from a largely wholesale bank to a fully fledged retail bank with a corresponding increased emphasis on MSMEs. The guarantees allowed the bank to gain experience with new industries/sectors and types of lending (i.e., financing capital investments) that complemented this strategy.
- EcoBank integrated the guarantee into its normal loan assessment process. It did not provide any special training or alter normal loan assessment procedures. It did not actively market the guarantee to potential borrowers because of the risk of moral hazard.
- EcoBank's use of the guarantees improved access to medium and long-term credit for some firms in the target sectors. The guarantees gave EcoBank the protection from risk necessary to extend loan sizes and tenors beyond its typical range. The guaranteed loans focused on the upper end of the spectrum of qualified borrowers by size. In fact, loan sizes appear consistent with lending almost exclusively to medium-sized enterprises. Guaranteed loans were larger, and consequently fewer in number, than anticipated by USAID/Ghana but still fell within the size and tenor parameters established in the Guarantee Agreements. Special waivers (2003 guarantee) and overly broad and imprecise definitions of target sectors (2005 guarantee) rendered the target sectors defined in the Guarantee Agreements irrelevant.

OUTCOME CONCLUSIONS

- EcoBank increased its lending to SMEs substantially since becoming a guarantee partner. However, the growth largely reflects the bank's ongoing strategy to increase retail lending rather than an impact of the guarantees. Experience with the DCA guarantees prompted the bank to increase lending to some new industries and to extend some long-term loans for capital expenditures outside of the guarantee coverage. However, these increases were small relative to the bank's overall SME loan portfolio.
- The single most important factor affecting EcoBank's performance relative to guarantee objectives was its desire, articulated in its strategy, to increase lending to MSMEs.

IMPACT CONCLUSIONS

- Lending to MSMEs (a proxy for the target sectors of the guarantee) has increased substantially in Ghana since 2002 (pre-guarantee). Anecdotal evidence suggests that loan guarantees may have a demonstration effect. However, given the small number of industries/sectors represented by EcoBank's guaranteed loans, the effect of the DCA guarantees is likely very modest. Factors external to the guarantees (i.e., overall growth in SME lending resulting from increasing bank liquidity and increased bank focus on the MSMEs sector) are likely responsible for most of the observed increase in lending to MSMEs.
- Banks and MFIs have substantially increased lending to MSMEs indicating an increase in access to credit. There is no evidence of widespread reductions in interest rates, increases in loan tenors, or reductions in collateral requirements for SME lending in Ghana.

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ANNEXES

Annex A - Evaluation Framework and Interview Guides

GHANA ECOBANK DCA EVALUATION FRAMEWORK

EVALUATION QUESTIONS	**DATA SOURCES** (1) pre-field activities (2) field activities	**DATA COLLECTION METHODS** (1) pre-field activities (2) field activities	**HOW DCA WILL USE THE EVALUATION FINDINGS, CONCLUSIONS AND RECOMMENDATIONS AND OTHER COMMENTS**
OUTPUT LEVEL (Loans Disbursed, Additionality…):			
1a. How did the DCA guarantees fit into EcoBank's ongoing strategy? What market potential did the DCA guarantee help open for EcoBank? 1b. How did EcoBank implement its loan guarantee programs (e.g., marketing campaigns, changed terms, training, revised staff structure and responsibilities, improved communications with branch offices, etc.)? And why?	(1) DCA documents: Action Packages, Guarantee Agreements, CRB minutes, Biennial Reviews, OMB PART, (1) or (2) Mission documents (2) Mission/ contractor/ staff (2) EcoBank staff	(1) Review of data and documents in Washington/DCA; interviews with DCA staff (1) & (2) Review of documents in USAID missions (1) & (2) Interviews of cognizant USAID / contractor staff (2) Review of EcoBank data in the field (2) Guided interviews with EcoBank staff (HQ and branches)	DCA use: Purposes 2 & 4 above and to enhance discussions with potential guarantee partners; to enhance the training that DCA provides to guarantee partners, missions, et al. Other Comments: this is primarily *descriptive* for each guarantee partner.
2a. Did EcoBank use the DCA guarantee to improve access to credit for the target sectors? (i.e., did characteristics of guaranteed loans differ from other loans in ways that improved access?) Indicators of improved access may include: • Number of loans to target sectors relative to pre-guarantee (2002) baseline (absolute	(1) DCA Biennial Reviews (2) Bank managers/staff (HQ & branches) (2) Bank electronic files (as available) (1) or (2) Bank annual reports (1) or (2) Industry/Central bank studies (2)Mission technical officers, CTOs and TA providers	(1) Documents review (1) Interviews of cognizant DCA staff (2) Guided Interviews of EcoBank staff. Given the small number of loans, probably reviewing each separate loan.	DCA use: To report on loans to stakeholders and Purposes 3 &4 above. Other Comments: Question 2a is *descriptive* and *comparative* for each guarantee partner, addressing what happened with loans under guarantees vs. what would likely have happened without the guarantees. Question 2b is *explanatory*, i.e., the extent to which the DCA guarantees influenced change. What we learn can affect what DCA does when talking

EVALUATION QUESTIONS	DATA SOURCES (1) pre-field activities (2) field activities	DATA COLLECTION METHODS (1) pre-field activities (2) field activities	HOW DCA WILL USE THE EVALUATION FINDINGS, CONCLUSIONS AND RECOMMENDATIONS AND OTHER COMMENTS
improvement in access) • Proportion of loans to target sector in portfolio (relative improvement in access) • Value of loans to target sectors relative to pre-guarantee (2002) baseline • Proportion of portfolio value in loans to target sectors relative to pre-guarantee (2002) baseline • Average (and median) loan size and frequency distribution of loans to target sectors relative to pre-baseline (2002) • Average loan tenor for loans to target sectors relative to pre-guarantee (2002) baseline • Average percentage collateral requirement for loans to target sector relative to pre-guarantee (2002) baseline • Types of collateral permitted for loans to target sectors relative to pre-guarantee (2002) baseline • Percentage of new borrowers in target sectors relative to pre-guarantee (2002) baseline • Average interest rate for loans to target sectors relative to pre-		(1) & (2) Analysis of EcoBank electronic files on borrowers covered by guarantee	to potential and actual guarantee partners, e.g., asking them what they would change with a guarantee; encouraging banks to do x, y, or z; and so on in discussions; DCA TA and training to banks; and DCA encouragement of missions to provide TA and training aimed at increasing positive bank policies and behavior. Because the number of guaranteed loans is very small (12), the first four quantitative indicators are not likely to be particularly informative. The remainder of the quantitative indicators, however, will measure whether characteristics of guaranteed loans are different than other loans in the portfolio made to the target sectors.

EVALUATION QUESTIONS	DATA SOURCES (1) pre-field activities (2) field activities	DATA COLLECTION METHODS (1) pre-field activities (2) field activities	HOW DCA WILL USE THE EVALUATION FINDINGS, CONCLUSIONS AND RECOMMENDATIONS AND OTHER COMMENTS
guarantee (2002) baseline 2b. To what extent did the DCA guarantee influence observed/stated changes in EcoBank's loans to target sectors? Etc			
OUTCOME LEVEL (Partner Bank Behavior Change):			
3a. To what extent was access to credit in the target sectors increased outside of the DCA guarantee? • Indicators from 2a applied to EcoBank portfolio of loans to target sector outside of guarantee 3b. What factors at EcoBank were responsible for achieving desired outcomes (e.g., TA; bank staff training; revised bank strategy, procedures and structure; new management, etc.)?	(1) DCA documents: Action Packages, CRB minutes, biennial reviews (1) or (2) Mission documents (2) EcoBank electronic files (as available) or samples of files (2) EcoBank annual reports (2) Mission/ contractor/ staff (2) EcoBank staff	(1) Documents review (2) Interviews of cognizant Mission / contractor staff and other stakeholders (2) Guided Interviews of EcoBank staff (2) Analysis of EcoBank electronic files on borrowers covered by guarantee (either sample of or full DCA loan portfolio)	DCA use: Purposes 2, 3 & 4 above; to identify ways to achieve desired outcomes when dealing with potential guarantee recipients; to enhance the training that DCA provides to guarantee partners, missions, et al. Other comments: Question 3a. is both *descriptive* and *comparative* (actual outcomes achieved through guarantees vs. intended outcomes). Question 3b is *explanatory* in nature (to identify factors associated with why desired outcomes were achieved or not). Question 3c would be *descriptive*, and cross-cutting. Question 3a has qualitative and quantitative components. It will collect a qualitative assessment of whether access to credit improved. It will also compare quantitative data on portfolio characteristics at the pre-guaranteed (2002) baseline to characteristics of the non-guaranteed portfolio during and after the guarantees.
4a. Has EcoBank moved into any new sectors/industries and types of borrowers after their guarantees? 4b. If so, to what extent did the DCA guarantees influence these decisions?	For both 4a and 4b: (2) Mission technical officers, CTOs and TA providers (2) Bank managers/staff	(2) Guided Interviews	DCA use: Purposes 1 & 3. Other comments: Question 4a is *descriptive*; question 4b *explanatory*.

EVALUATION QUESTIONS	DATA SOURCES (1) pre-field activities (2) field activities	DATA COLLECTION METHODS (1) pre-field activities (2) field activities	HOW DCA WILL USE THE EVALUATION FINDINGS, CONCLUSIONS AND RECOMMENDATIONS AND OTHER COMMENTS
How?			
IMPACT LEVEL (Market Demonstration Effect):			
5a. Did other, non-partner banks initiate or increase lending to the target sectors? • If data are available, collect data on indicators in 2a for entire banking sector and compare pre-guarantee (2002) baseline characteristics during and after the guarantees 5b. If so, to what extent was the DCA guarantee to EcoBank responsible? How and why?	(1) and (2) Sector/banking reports (if available) (2) EcoBank managers/staff (2) Industry/bank associations in the country/sector (2) USAID TA providers (2) Other key stakeholders	(1) and (2) Documents review (2) Interviews of cognizant USAID / other donor staff /other stakeholders (2)Guided interviews of EcoBank staff	DCA use: Purposes 1 & 2. Other comments: These questions will be answered qualitatively, for the most part, citing available sectoral data as appropriate.
6a. Did access to loans (or loan terms) improve for loans to the target sectors? 6b. If so, how and why? 6c. If so, to what extent was the EcoBank DCA guarantee responsible?	Same as for Question 5.	Same as for Question 5.	Same as for Question 5.
QUESTIONS THAT APPLY TO ALL THREE LEVELS—OUTPUT, OUTCOME AND IMPACT:			
7a. What are the exogenous factors (e.g., financial sector reform, government	(1) Review of World Bank, and other donor or research	(1) Documents review	DCA use: To set in context the Evaluation findings for Questions 1 – 6.

EVALUATION QUESTIONS	DATA SOURCES (1) pre-field activities (2) field activities	DATA COLLECTION METHODS (1) pre-field activities (2) field activities	HOW DCA WILL USE THE EVALUATION FINDINGS, CONCLUSIONS AND RECOMMENDATIONS AND OTHER COMMENTS
intervention, lender industry competition, financial shocks, other donor behavior, others?) that may have affected access to credit for the target sectors? 7b. How, it at all, have these factors affected the performance of the DCA guarantees? Did they affect EcoBank's lending to the target sector under the guarantees? Did they affect EcoBank's lending to the target sector outside of the guarantees? Did they affect lending to the target sector by the broader banking sector? If so, how?	documents / web sites (2) Cognizant USAID / contractor staff / other donor representatives (2) EcoBank managers/staff Key stakeholders (e.g., central banks, banking associations, etc.)	(2) Interviews of cognizant USAID / contractor staff (2) Guided interviews of EcoBank staff (2) Other donor / key stakeholder interviews (TBD)	

EcoBank Interview Guide

Questions 1a

1. Did the guarantees help EcoBank develop new markets that it would not have entered without the guarantee?
    a. If yes, what constraints did EcoBank face in these markets and how did DCA guarantees address those constraints?
2. Did the guarantees help EcoBank expand more quickly into markets it was already developing?
    a. If yes, what constraints did EcoBank face in expanding more rapidly into these markets and how did DCA guarantees address those constraints?

Questions 1b

1. Did EcoBank actively market guaranteed loans?
2. Did the terms EcoBank offered on guaranteed loans differ from those on loans that were not guaranteed? How? Why?
3. Did EcoBank train staff specifically to assess borrowers for DCA-covered loans? How?
4. Did EcoBank do anything else to implement the loan guarantee programs? Describe?

Questions 2a_2

For each of the loans made under the guarantee?

1. When was the loan made?
2. Was this the first loan EcoBank made to this borrower?
3. Why was the borrower put under guarantee coverage?
4. Would EcoBank have extended a loan to this borrower without guarantee coverage? Why or why not?
    a. If yes, would the loan have been for a lower value without guarantee coverage? If yes, why did the DCA guarantee affect loan size?
    b. If yes, would the tenor of the loan have been different without the guarantee coverage? If yes, why did the DCA guarantee affect loan tenor?
    c. If yes, would the interest rate on the loan have been different without the guarantee coverage? If yes, why did the DCA guarantee affect the interest rate?
5. What were the terms of the loan (confirm from records and fill in gaps)
    a. Amount
    b. Tenor/term
    c. Interest rate
6. Collateral requirement (type, percent)
7. Did the borrower receive any other loans under the guarantee?
8. Has the borrower received any loans subsequent to the guaranteed loan that were not covered by the guarantee?
    a. If yes, how many?

b. If not, why not?

Questions 3a

1. To what extent did the DCA guarantees increase access to credit in the target sectors within EcoBank but outside of the guarantee coverage? How?
2. On a scale from one to five where one is "not at all" and five is "a great deal", to what extent were the DCA guarantees responsible for increasing access to credit for the target sectors within EcoBank but outside of DCA coverage?

Questions 3b

1. What factors associated with the DCA guarantee were responsible for increasing access to credit in the target sector outside of the guarantee coverage? For example, did TA, staff training, revised bank strategy, improved procedures, or other factors associated with the DCA guarantee help increase access to credit? If so, how? How important were each of these factors?
2. Are there other factors, other than the EcoBank guarantees, that could have improved access to credit for the target sectors? If so, what are those factors? Explain.
3. Could EcoBank have done a better job of disseminating DCA guarantee results into its broader portfolio in the target sectors? How?

Questions 4a/4b

1. Has EcoBank targeted any new market segments (industries, sectors, or types of borrowers) since the DCA guarantee? Explain.
    a. If so, to what extent did the DCA guarantee influence the decision to target new market segments? How?
    b. On a scale from one to five where one means "not at all" and five means "a great deal", to what did EcoBank's DCA guarantee influence EcoBank's decision to target new market segments?

Questions 5a/5b

1. Did any banks other than EcoBank increase their lending to the target sectors?
    c. If so, to what extent did the DCA guarantee to EcoBank influence these banks' decisions? How?
    d. What other factors, if any, might have been responsible for other banks' increasing lending to the target sectors? Explain.
2. On a scale from one to five where one means "not at all" and five means "a great deal", to what extent did EcoBank's DCA guarantee influence increased lending to the target sector by other banks?

Questions 6a/6b/6c

1. Did access to loans, or loan terms, improve for the target sector?
    a. If so, how?
    b. If so, to what extent were the DCA guarantees to EcoBank responsible for the improved access? How?
    c. What other factors may have influenced access to credit for the target sector? How?
    d. On a scale from one to five where one means "not at all" and five means "a great deal", to what extent was the EcoBank DCA guarantee responsible for increased access to loans in the target sectors?
2. Could EcoBank's DCA guarantee have had a greater impact on access to credit in the target sectors? How?

Banking Associations Interview Guide

Questions 1b

1. Did EcoBank actively market guaranteed loans?
2. Did the terms EcoBank offered on guaranteed loans differ from those on loans that were not guaranteed? How? Why?
3. Did EcoBank train staff specifically to assess borrowers for DCA-covered loans? How?
4. Did EcoBank do anything else to implement the loan guarantee programs? Describe?

Questions 2a_1

1. Are the characteristics of borrowers and loans made under the DCA coverage different than those made outside the DCA coverage (e.g., sectors, interest rates, tenors, collateral requirements)?
    a. If yes, how are they different?
    b. If yes, to what extent was the DCA coverage responsible for the difference and how was it responsible? (scale question?)
2. Are there other factors that might have influenced EcoBank to make these loans without the guarantee? What factors? Explain.
3. Could EcoBank have improved access to credit in the target sectors more by using the DCA guarantees differently? How? Explain.

Questions 3a

1. To what extent did the DCA guarantees increase access to credit in the target sectors within EcoBank but outside of the guarantee coverage? How?
2. On a scale from one to five where one is "not at all" and five is "a great deal", to what extent were the DCA guarantees responsible for increasing access to credit for the target sectors within EcoBank but outside of DCA coverage?

Questions 3b

1. What factors associated with the DCA guarantee were responsible for increasing access to credit in the target sector outside of the guarantee coverage? For example, did TA, staff training, revised bank strategy, improved procedures, or other factors associated with the DCA guarantee help increase access to credit? If so, how? How important were each of these factors?
2. Are there other factors, other than the EcoBank guarantees, that could have improved access to credit for the target sectors? If so, what are those factors? Explain.
3. Could EcoBank have done a better job of disseminating DCA guarantee results into its broader portfolio in the target sectors? How?

Questions 4a/4b

1. Has EcoBank targeted any new market segments (industries, sectors, or types of borrowers) since the DCA guarantee? Explain.
    e. If so, to what extent did the DCA guarantee influence the decision to target new market segments? How?
    f. On a scale from one to five where one means "not at all" and five means "a great deal", to what did EcoBank's DCA guarantee influence EcoBank's decision to target new market segments?

Questions 5a/5b

1. Did any banks other than EcoBank increase their lending to the target sectors?
    g. If so, to what extent did the DCA guarantee to EcoBank influence these banks' decisions? How?
    h. What other factors, if any, might have been responsible for other banks' increasing lending to the target sectors? Explain.
2. On a scale from one to five where one means "not at all" and five means "a great deal", to what extent did EcoBank's DCA guarantee influence increased lending to the target sector by other banks?

Questions 6a/6b/6c

1. Did access to loans, or loan terms, improve for the target sector?
    a. If so, how?
    b. If so, to what extent were the DCA guarantees to EcoBank responsible for the improved access? How?
    c. What other factors may have influenced access to credit for the target sector? How?
    d. On a scale from one to five where one means "not at all" and five means "a great deal", to what extent was the EcoBank DCA guarantee responsible for increased access to loans in the target sectors?
2. Could EcoBank's DCA guarantee have had a greater impact on access to credit in the target sectors? How?

Donors Interview Guide

Questions 3a

1. To what extent did the DCA guarantees increase access to credit in the target sectors within EcoBank but outside of the guarantee coverage? How?
2. On a scale from one to five where one is "not at all" and five is "a great deal", to what extent were the DCA guarantees responsible for increasing access to credit for the target sectors within EcoBank but outside of DCA coverage?
3. What other factors may have affected access to credit in the target sectors since 2002?

Questions 5a/5b

1. Did any banks other than EcoBank increase their lending to the target sectors?
   - i. If so, to what extent did the DCA guarantee to EcoBank influence these banks' decisions? How?
   - j. What other factors, if any, might have been responsible for other banks' increasing lending to the target sectors? Explain.
2. On a scale from one to five where one means "not at all" and five means "a great deal", to what extent did EcoBank's DCA guarantee influence increased lending to the target sector by other banks?

Questions 6a/6b/6c

1. Did access to loans, or loan terms, improve for the target sector?
   - e. If so, how?
   - f. If so, to what extent were the DCA guarantees to EcoBank responsible for the improved access? How?
   - g. What other factors may have influenced access to credit for the target sector? How?
   - h. On a scale from one to five where one means "not at all" and five means "a great deal", to what extent was the EcoBank DCA guarantee responsible for increased access to loans in the target sectors?
   - i. Could EcoBank's DCA guarantee have had a greater impact on access to credit in the target sectors? How?

Industry Associations Interview Guide

Questions 3a

1. To what extent did the DCA guarantees increase access to credit in the target sectors within EcoBank but outside of the guarantee coverage? How?
2. On a scale from one to five where one is “not at all” and five is “a great deal”, to what extent were the DCA guarantees responsible for increasing access to credit for the target sectors within EcoBank but outside of DCA coverage?
3. Are there other factors, other than the EcoBank guarantees, that could have improved access to credit for the target sectors? If so, what are those factors? Explain.

Questions 4a/4b

1. Has EcoBank targeted any new market segments (industries, sectors, or types of borrowers) since the DCA guarantee? Explain.
    - k. If so, to what extent did the DCA guarantee influence the decision to target new market segments? How?
2. On a scale from one to five where one means “not at all” and five means “a great deal”, to what did EcoBank’s DCA guarantee influence EcoBank’s decision to target new market segments?

TA Providers Interview Guide

Questions 3b

1. What factors associated with the DCA guarantee were responsible for increasing access to credit in the target sector outside of the guarantee coverage? For example, did TA, staff training, revised bank strategy, improved procedures, or other factors associated with the DCA guarantee help increase access to credit? If so, how? How important were each of these factors?
2. Are there other factors, other than the EcoBank guarantees, that could have improved access to credit for the target sectors? If so, what are those factors? Explain.
3. Could EcoBank have done a better job of disseminating DCA guarantee results into its broader portfolio in the target sectors? How?

Questions 4a/4b

1. Has EcoBank targeted any new market segments (industries, sectors, or types of borrowers) since the DCA guarantee? Explain.
    a. If so, to what extent did the DCA guarantee influence the decision to target new market segments? How?
    b. On a scale from one to five where one means “not at all” and five means “a great deal”, to what did EcoBank’s DCA guarantee influence EcoBank’s decision to target new market segments?

USAID/Ghana Interview Guide

<u>Questions 1a</u>

1. Did the guarantees help EcoBank develop new markets that it would not have entered without the guarantee?
    b. If yes, what constraints did EcoBank face in these markets and how did DCA guarantees address those constraints?
2. Did the guarantees help EcoBank expand more quickly into markets it was already developing?
    c. If yes, what constraints did EcoBank face in expanding more rapidly into these markets and how did DCA guarantees address those constraints?

<u>Questions 1b</u>

1. Did EcoBank actively market guaranteed loans?
2. Did the terms EcoBank offered on guaranteed loans differ from those on loans that were not guaranteed? How? Why?
3. Did EcoBank train staff specifically to assess borrowers for DCA-covered loans? How?
4. Did EcoBank do anything else to implement the loan guarantee programs? Describe?

<u>Questions 2a_1</u>

1. Are the characteristics of borrowers and loans made under the DCA coverage different than those made outside the DCA coverage (e.g., sectors, interest rates, tenors, collateral requirements)?
    a. If yes, how are they different?
    b. If yes, to what extent was the DCA coverage responsible for the difference and how was it responsible? (scale question?)
2. Are there other factors that might have influenced EcoBank to make these loans without the guarantee? What factors? Explain.
3. Could EcoBank have improved access to credit in the target sectors more by using the DCA guarantees differently? How? Explain.

<u>Questions 3a</u>

1. Did the DCA guarantees increase access to credit in the target sectors within EcoBank but outside of the guarantee coverage? How?
2. On a scale from one to five where one means “not at all responsible” and five means “critically responsible”, to what extent were the DCA guarantees responsible for EcoBank decisions to enter new markets outside of the DCA coverage? Select one of: 1 (Not at all responsible), 2 (Slightly responsible), 3 (Somewhat responsible), 4 (Very responsible), or 5 (Critically responsible).

3. Are there other factors, other than the EcoBank guarantees, that could have improved access to credit for the target sectors? If so, what are those factors? Explain.

Questions 3b

1. What factors associated with the DCA guarantee were responsible for increasing access to credit in the target sector outside of the guarantee coverage? For example, did TA, staff training, revised bank strategy, improved procedures, or other factors associated with the DCA guarantee help increase access to credit? If so, how? How important were each of these factors?
2. Are there other factors, other than the EcoBank guarantees, that could have improved access to credit for the target sectors? If so, what are those factors? Explain.
3. Could EcoBank have done a better job of disseminating DCA guarantee results into its broader portfolio in the target sectors? How?

Questions 4a/4b

1. Has EcoBank targeted any new market segments (industries, sectors, or types of borrowers) since the DCA guarantee? Explain.
    c. Did the DCA guarantee influence the decision to target new market segments? How?
    d. On a scale from one to five where one means "not at all" and five means "a great deal", to what did EcoBank's DCA guarantee influence EcoBank's decision to target new market segments?

Questions 5a/5b

1. Did any banks other than EcoBank increase their lending to the target sectors since the EcoBank DCA guarantee?
    e. If so, to what extent did the DCA guarantee to EcoBank influence these banks' decisions? How?
    f. What other factors, if any, might have been responsible for other banks' increasing lending to the target sectors? Explain.
2. On a scale from one to five where one means "not at all responsible" and five means "critically responsible", to what extent were EcoBank's DCA guarantees responsible for increased lending to the target sector by other banks? Select one of: 1 (Not at all responsible), 2 (Slightly responsible), 3 (Somewhat responsible), 4 (Very responsible), or 5 (Critically responsible).

Questions 6a/6b/6c

1. Did access to loans, or loan terms, improve for the target sector?
    j. If so, how?

k. If so, to what extent were the DCA guarantees to EcoBank responsible for the improved access? How?

l. What other factors may have influenced access to credit for the target sector? How?

2. On a scale from one to five where one means “not at all responsible” and five means “critically responsible”, to what extent was the EcoBank DCA guarantee responsible for improving loan terms to firms in the target sectors?? Select one of: 1 (Not at all responsible), 2 (Slightly responsible), 3 (Somewhat responsible), 4 (Very responsible), or 5 (Critically responsible).
3. Could EcoBank’s DCA guarantee have had a greater impact on access to credit in the target sectors? How?

MFI Interview Guide

General questions

1. Start by explaining a bit about GHAMFIN and what GHAMFIN does.
    a. When and why was GHAMFIN created?
    b. What is GHAMFIN's role - does GHAMFIN regulate MFIs?
    c. How broadly does GHAMFIN represent the MFI sector?
2. How do banks view MFIs – competitors/clients? If clients, how classified? (i.e. SME)
3. Where do MFIs get their capital – private or donor financing, deposits?
    a. Which banks provide private financing? (Ecobank)
    b. What are terms of private financing (interest rates, collateral, and tenor)? Has this changed over time?
    c. Constraints to accessing capital?
    d. Trends in access to capital? Private versus donor.
4. Trends in MFI lending – volume, clients, terms, sectors.
5. What factors have most influenced access to credit for MFIs?

Questions 3a

1. To what extent did the DCA guarantees increase access to credit in the target sectors within EcoBank but outside of the guarantee coverage? How?
2. On a scale from one to five where one is "not at all" and five is "a great deal", to what extent were the DCA guarantees responsible for increasing access to credit for the target sectors within EcoBank but outside of DCA coverage?
3. Are there other factors, other than the EcoBank guarantees, that could have improved access to credit for the target sectors? If so, what are those factors? Explain.

Questions 5a/5b

1. Did any MFIs increase their lending to the target sectors?
    g. If so, to what extent did the DCA guarantee to EcoBank influence these MFI's decisions? How?
    h. What other factors, if any, might have been responsible for other MFIs increasing lending to the target sectors? Explain.
2. On a scale from one to five where one means "not at all" and five means "a great deal", to what extent did EcoBank's DCA guarantee influence increased lending to the target sector by MFIs?

Questions 6a/6b/6c

1. Did access to loans, or loan terms, improve for the target sector?
    m. If so, how?

n. If so, to what extent were the DCA guarantees to EcoBank responsible for the improved access? How?
o. What other factors may have influenced access to credit for the target sector? How?
p. On a scale from one to five where one means “not at all” and five means “a great deal”, to what extent was the EcoBank DCA guarantee responsible for increased access to loans in the target sectors?
q. Could EcoBank’s DCA guarantee have had a greater impact on access to credit in the target sectors? How?

Bank of Ghana (Central Bank) Interview Guide

Lending Environment

1. To start with, perhaps you could give us some background on the private sector's access to credit in Ghana.
   a. Do, or have, banks had sufficient liquidity to serve private sector credit needs.
   b. Are banks willing to lend to the private sector?
   c. What have been the key factors affecting private sector access to credit in Ghana?
   d. Have interest rates, loan tenors, or collateral requirements changed much over time?
2. We are particularly interested in SMEs and their access to credit. We understand that this is limited. Is this true?
   a. What are the key constraints to SMEs access to credit?
3. Has access to credit for SME's improved?
   a. If so, what are the key factors responsible for increasing SME access to credit?
4. Do you think USAID's DCA loan guarantees to EcoBank had any impact on increasing access to credit for SMEs?
5. Are there any historic data on lending to SMEs, volume and value?
6. I'm trying to put together an historic picture (2002-present) of private sector lending in Ghana using data from the BoG. Which data series would best represent DMB bank holdings of government debt?
7. Are you aware of any data on lending by institutions that are not DMBs?
8. I got data on DMB lending by sector from the BoG Annual Reports. But it is not consistent (i.e., reported every year or in the same format). Can you tell me where I might find these data for 2002-2008?

Annex B – Contact List

Name	Title	Organization
Joana Mensah	Country/Regional Risk Manager-WAMZ & Head, Credit Centre	EcoBank
Abdulai Abdul-Rahman	Head, SME Banking	EcoBank
Gordon Nyamekye-Pratt	Retail Risk Manager	EcoBank
Paul K. Acquah	Head, Credit Administration Unit, Risk Management Department	EcoBank
Brian Dusza	Office Director, Economic Growth Office	USAID/Ghana
Katerina S. Ntep	Deputy Resident Country Director	Millennium Challenge Corporation
Kwabena Appenteng		USAID/Ghana (former)
Nicholas H. Railston-Brown	Country Director	TechnoServe
Dr. Susan B. Hester	Enabling Environment Director	Chemonics/TIPCEE
Michael Brown	Chief of Party	Chemonics/TIPCEE
Lauren Ruth	Deputy Chief of Party	Chemonics/TIPCEE
Kobina Amoah	Director, Microfinance Unit	Ministry of Finance and Economic Planning
Dr. Sam Mensah	Technical Director	Ministry of Finance and Economic Planning
Clara Fosu	Deputy Director	GHAMFIN
Isaac Hagan	Private Sector Development Strategy Coordinator	Ministry of Trade and Industry
Wilson Atta Krofah	President	Ghana National Chamber of Commerce and Industry
Dr. William Steel		World Bank / Institute of Statistical, Social and Economic Research
Dr. Mahamudu Bawumia	Deputy Governor (former)	Bank of Ghana (former)
Jude Kofi Arthur	President / Managing Director	Ghana Association of Bankers / First Atlantic Bank
Sam Akyianu	Programme Manager	IFC
Daniel Boakye	Economist	World Bank
Duke Osam-Duodu	Deputy Managing Director	Association of Rural Banks Apex Bank Ltd.
Enoch R. Arkaifie	Credit Manager	Association of Rural Banks Apex Bank Ltd.
Abdul-Raheem Iddi-Puyo	Micro Finance Officer	Association of Rural Banks Apex Bank Ltd.
Philip Asare	Chief Financial Officer	Opportunity International
Matthew Armah	Chief Operating Officer	Millennium Development Authority / Amex (former)
Nana Opare Djan	General Secretary	Association of Financial NGOs
Magnus Amoa-Bosompem	National Vice-Chairman	Association of Financial NGOs