

## **Eswatini**

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### **Financial Inclusion and Cluster Development Project Supervision Report**

Mission Dates: 01/12/2020-09/12/2020

Document Date: 11/01/2021

Project No. 2000001804

Report No. 5633-SZ

East and Southern Africa Division  
Programme Management Department



## Abbreviations and Acronyms

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<b>ACAT</b>	<b>African Co-operative Action Trust Lilima</b>
<b>AIDS</b>	<b>Acquired Immunodeficiency Syndrome</b>
<b>AWPB</b>	<b>Annual Work Plan and Budget</b>
<b>CA</b>	<b>Conservation Agriculture</b>
<b>CBE</b>	<b>Central Bank of Eswatini</b>
<b>CD</b>	<b>Country Director</b>
<b>CDC</b>	<b>Community Development Committees</b>
<b>CFI</b>	<b>Centre for Financial Inclusion</b>
<b>CFO</b>	<b>Chief Financial Officer</b>
<b>CN</b>	<b>Concept Note</b>
<b>COVID</b>	<b>Corona Virus Disease</b>
<b>EEA</b>	<b>Eswatini Environmental Agency</b>
<b>ESNAU</b>	<b>Eswatini National Agricultural Union</b>
<b>ESWADE</b>	<b>Eswatini Water and Agricultural Development Enterprise</b>
<b>FFR</b>	<b>IFAD Financial Facility for Remittances</b>
<b>FGD</b>	<b>Focus Group Discussion</b>
<b>FI</b>	<b>Financial Institution</b>
<b>FINCLUDE</b>	<b>Financial Inclusion and Cluster Development Project</b>
<b>FIRM</b>	<b>Financial Instrument for Risk Management</b>
<b>FSRA</b>	<b>Financial Services and Regulatory Authority</b>
<b>FY</b>	<b>Financial Year</b>
<b>GALS</b>	<b>Gender Action Learning System</b>
<b>GAP</b>	<b>Good Agricultural Practices</b>
<b>GCF</b>	<b>Green Climate Fund</b>
<b>GEF</b>	<b>Global Environment Facility</b>
<b>GEWE</b>	<b>Gender Equality and Women's Empowerment</b>
<b>GOE</b>	<b>Government of Eswatini</b>
<b>HIV</b>	<b>Human Immunodeficiency Virus</b>
<b>HR</b>	<b>Human Resources</b>
<b>IFAD</b>	<b>International Fund for Agricultural Development</b>
<b>IFRS</b>	<b>International Financial Reporting Standards</b>
<b>IP</b>	<b>Implementing Partner</b>
<b>IT</b>	<b>Information Technology</b>
<b>KAP</b>	<b>Knowledge, Attitudes And Practices</b>
<b>KM</b>	<b>Knowledge Management</b>
<b>KMC</b>	<b>Knowledge Management and Communication</b>
<b>MFI</b>	<b>Micro-Finance Institutions</b>
<b>MIS</b>	<b>Management Information System</b>
<b>MOA</b>	<b>Ministry of Agriculture</b>

<b>MOF</b>	<b>Ministry of Finance</b>
<b>MP</b>	<b>Member of Parliament</b>
<b>MSME</b>	<b>Micro, Small and Medium Enterprises</b>
<b>MTAD</b>	<b>Ministry of Tinkhundla Administration</b>
<b>MTEA</b>	<b>Ministry of Tourism &amp; Environmental Affairs</b>
<b>NBFI</b>	<b>Non-Banking Financial Institution</b>
<b>NGO</b>	<b>Non-Governmental Organization</b>
<b>NPL</b>	<b>Non-Performing Loan</b>
<b>NSI</b>	<b>Nutrition-Sensitive Agriculture</b>
<b>ORMS</b>	<b>Operational Results Management System</b>
<b>PIU</b>	<b>Project Implementation Unit</b>
<b>PMU</b>	<b>Project Management Unit</b>
<b>PP</b>	<b>Procurement Plan</b>
<b>PS</b>	<b>Permanent Secretary</b>
<b>PSC</b>	<b>Project Steering Committee</b>
<b>RF</b>	<b>Results Framework</b>
<b>RFEDP</b>	<b>Rural Finance and Enterprise Development Programme</b>
<b>SADC</b>	<b>Southern African Development Community</b>
<b>SCG</b>	<b>Savings and Credit Groups</b>
<b>SECAP</b>	<b>Social, Environmental and Climate Assessment Procedures</b>
<b>SEDCO</b>	<b>Small Enterprise Development Company</b>
<b>SLWM</b>	<b>Soil, Land and Water Management</b>
<b>SME</b>	<b>Small and Medium Enterprises</b>
<b>SMLP</b>	<b>Small-holder Market-Led Project</b>
<b>SOE</b>	<b>Statement of Expenditure</b>
<b>TOR</b>	<b>Terms of Reference</b>
<b>TWG</b>	<b>Technical Working Group</b>
<b>UN</b>	<b>United Nations</b>
<b>USD</b>	<b>United States Dollars</b>
<b>VC</b>	<b>Value Chain</b>
<b>WA</b>	<b>Withdrawal Application</b>
<b>WFP</b>	<b>World Food Programme</b>

## A. Project Overview

Region:	East and Southern Africa Division	Project at Risk Status:	Not at risk
Country:	Eswatini	Environmental and Social Category:	B
Project Name:	Financial Inclusion and Cluster Development Project	Climate Risk Classification:	2
Project ID:	2000001804	Executing Institution:	Centre for Financial Inclusion
Project Type:	Credit and Financial Services	Implementing Institutions:	Centre for Financial Inclusion
CPM:	Jaana Keitaanranta		
Project Director:	not available yet		
Project Area:	not available yet		

Approval Date:	21/07/2018	Last audit receipt:	not available yet
Signing Date:	05/09/2019	Date of Last SIS Mission:	09/12/2020
Entry into Force Date:	05/09/2019	Number of SIS Missions:	1
Available for Disbursement Date:	09/10/2019	Number of extensions:	0
First Disbursement Date:	11/10/2019	Effectiveness lag:	14 months
MTR Date:	not available yet		
Original Completion Date:	30/09/2025		
Current Completion Date:	30/09/2025		
Financial Closure:	not available yet		

### Project total financing

<b>IFAD Financing breakdown</b>	IFAD	\$8,950,000
<b>Domestic Financing breakdown</b>	Private sector local	\$7,463,000
	Beneficiaries	\$13,832,000
	National Government	\$2,944,000
<b>Co-financing breakdown,</b>	To be determined	\$5,069,000
<b>Project total financing:</b>		<b>\$38,258,000</b>

### Current Mission

Mission Dates:	01/12/2020-09/12/2020
Days in the field:	n/a
Mission composition:	Ms Jaana Keitaanranta CD, Targeting and Social Inclusion Specialist, Mr Munhamo Chisvo, Senior Rural Development Specialist, Lead Consultant, Mr George Polenakis, Senior Rural Finance Specialist, Ms Grace Nakanjakko, M&E Specialist, Ms Farai Gwelo, KM, Nutrition and Policy Engagement Specialist, Ms Rym Ghazzali, Procurement Specialist, Ms Edith Kirumba, Environment, Climate and Safeguards Specialist, Ms Alice Abillu, Financial Management Specialist, Ms Bonolo Madito, Admin assistant and Youth in agriculture, specialist.
Field sites visited:	n/a

## B. Overall Assessment

Key SIS Indicator #1	Ø	Rating	Key SIS Indicator #2	Ø	Rating
Likelihood of Achieving the Development Objective		4.0	Assessment of the Overall Implementation Performance		4.12

<b>Effectiveness and Developmental Focus</b>	<b>4</b>	<b>Project Management</b>	<b>4</b>
Effectiveness	3	Quality of Project Management	4
Targeting and Outreach	5	Knowledge Management	4
Gender equality & women's participation	4	Value for Money	4
Agricultural Productivity	N/A	Coherence between AWPB and Implementation	3
Nutrition	N/A	Performance of M&E System	4
Adaptation to Climate Change	4	Social, Environment, and Climate Standards requirements	4

<b>Sustainability and Scaling-up</b>	<b>4</b>	<b>Financial Management and Execution</b>	<b>4</b>
Institutions and Policy Engagement	N/A	Acceptable Disbursement Rate	4
Partnership-building	4	Quality of Financial Management	4
Human and Social Capital and Empowerment	4	Quality and Timeliness of Audit	
Quality of Project Target Group Engagement and Feedback	4	Counterparts Funds	5
Responsiveness of Service Providers	4	Compliance with Loan Covenants	5
Environment and Natural Resource Management		Procurement	4
Exit Strategy			
Potential for Scaling-up			

<b>Relevance</b>
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## C. Mission Objectives and Key Conclusions

### Background and Main Objective of the Mission

The Financial Inclusion and Cluster Development (FINCLUDE) Project is a collaboration between the International Fund for Agriculture Development (IFAD) and the Government of the Kingdom of Eswatini (GOE) through the Ministry of Finance (MoF). It was approved by the IFAD Executive Board on 21 July 2018 and entered into force on 5 September 2019. The total cost of the Project is estimated at US\$ 38.56 million. The financing package of the project includes an IFAD loan of USD8.9 million, an IFAD Grant of USD0.3 million via the Financing Facility for Remittances, USD2.9 million from the Government of Eswatini, and a climate finance grant of USD5 million plus contributions from beneficiaries of USD13.8 million and from enterprises of USD7.5 million. The climate financing request is a joint initiative between the MoF and MoTEA to introduce climate aspects to the rural finance sector in Eswatini, and will target one of the major climate financing institutions (Green Climate Fund, Global Environmental Facility, Adaptation Fund). FINCLUDE will be implemented over a period of six years. The scheduled project completion date is 5 September 2019 and closing date 31 March 2026.

Its implementation is led by the Ministry's unit, the Centre for Financial Inclusion (CFI). The Project has a National coverage; it is implemented across all four regions in the country, Hhohho, Manzini, Lubombo and Shiselweni. FINCLUDE's Goal is the "Improvement in prosperity and resilience of poor and vulnerable Swazi smallholders and micro-entrepreneurs". The FINCLUDE Development Objective is: "to increase returns from sustainable farm and non-farm enterprise for rural people, including poor and youth, through resilient links to markets and access to appropriate financial services." The goal and the development objective will be reached through implementation of three components, as follows:

- **Component 1:** Inclusive cluster development. Expected outcome: Profits to farm and non-farm micro-enterprises and MSMEs from inclusive clusters increased for multiple higher value products;
- **Component 2:** Increasing supply of rural financial services. Expected outcome: Private investment increased in priority clusters and commodity sectors from smallholders and MSMEs;
- **Component 3:** Climate resilient decision making and investment. Expected outcome: Climate resilience and climate finance mainstreamed into rural finance operations.

FINCLUDE will adopt a cluster development approach, clusters offer many advantages for smallholders in competitive commodity markets and can make it possible for clusters to be more inclusive. The Project places special focus on these groups; women and youth and poor rural women who are heads of their families, it is therefore critical that specific unique strategies are applied in ensuring that their involvement in the Project is achieved. Relevant communication methods will be applied especially for youth involvement and participation in the Project.

Due to national elections, the approval process of FINCLUDE was delayed. FINCLUDE was ratified in national instances in July 2019 and the financing agreement was signed in September 2019. The staff recruitment was concluded in March 2020 and after delays due to lockdown, the new staff occupied their positions in May/June 2020. Remote Start up Workshop took place in the end of July 2020, followed by some training and implementation support mainly in procurement and M&E. This is the first supervision mission for FINCLUDE and it will be conducted as a partial supervision mission.

Due to the COVID-19 outbreak and the limitations as regards mobility, the mission will be conducted remotely. The mission consisted of group and bilateral meetings with the FINCLUDE PMU and GoE representatives and implementing partners.

The main objectives of this partial supervision mission are to: (i) review the progress on implementation; (ii) observe the strategic approach of the project and meeting the log frame indicators and development objectives; (iii) review timeliness of the implementation in particular from the perspective of the procurement processes and community work; and (iv) analyse overall implementation readiness of the project and rollout of activities under component 1 and 2.

The mission held consultations with the project management unit (PMU) and other relevant partners. These included the Ministry of Agriculture (MoA) and implementing partners Eswatini National Agricultural Union (ESNAU) and Small-holder Market-Led Project (SMLP).

The Aide Memoire reflects the mission's main findings and recommendations, and records the agreements reached at a wrap up meeting on December 9, 2020 with the PMU. The mission team would like to extend its warmest appreciation and gratitude to all the people met for their time, their readiness in sharing information and their contribution to the mission's findings and recommendations.

### Key Mission Agreements and Conclusions

The overall assessment of the mission is that the project has made good progress in developing high-quality strategy documents and in creating readiness for implementation, including establishment of the PSC, internal meeting structures, working arrangements with service providers, identification of key partners and also interactions with local authorities.

Accounting system and M&E systems are well developed. FINCLUDE has also created a functional and active coordination systems with the other IFAD co-financed project in the country, SMLP.

The recruitment and deployment of FINCLUDE key staff is almost complete, with two of the positions (CFI CEO who also acts as Project Director and Coordinator Component 2) occupied by seconded interim staff. The Coordinator for Component 3 has not yet been recruited but CFI has agreed to expedite the process. The staff has been able to benefit from IFAD trainings in procurement, financial management, social inclusion, M&E and management.

Project implementation at community level has commenced with beneficiary mobilisation, sensitization (39 communities sensitized, 9 remaining) and identification (beneficiary identification forms sent to all four regions) as part of Component 1 activities. Financial implementation is, however, showing slow progress since effectiveness in September 2019 and since conclusion of the recruitment in June 2020. The project is initiating its 2<sup>nd</sup> year of implementation and the disbursement rate on the IFAD loan is 22%, having disbursed USD 2 million out of a total loan allocation of USD 8.950 million. The disbursements, however, were only related to the start up funds and special account advance. As at 27<sup>th</sup> November 2020, total expenditures of USD 0.656 million had been incurred. At design, grant financing of USD 302,000 from IFAD Financial Facility for Remittances (FFR) to support pilot testing of products linked to remittance was envisaged to be implemented under FINCLUDE. This has been disbursed to FINMARK Trust due to the delayed start of FINCLUDE.

### **Key Agreements**

**Accelerating implementation to catch-up on lost time:** There is a general appreciation and consensus among the FINCLUDE PMU staff that implementation needs to be accelerated in all aspects of the project that are behind schedule, in order to compensate for the lost time at inception, and reach beneficiaries with tangible assistance and sustain interest that has been created by the mobilisation and sensitisation activities.

A monthly progress review meeting on the status of implementation of the agreed actions contained in this mission report has also been recommended. The meeting will be chaired by the PS or any delegated person (lowest being Deputy Director) from the Ministry of Finance. The meeting will be attended by the IFAD Country Director with selected specialists depending on technical support needs of FINCLUDE Staff.

**Resource Support Component 1:** To facilitate this, resources will be provided by the project to support activities being undertaken by government officers and more personnel will be deployed by the key participating ministries (especially Ministry of Agriculture) to accelerate beneficiary engagement, sensitisation, selection and capacity building under Component 1.

**Supply-side database under Component 2.** The project needs to catalogue available financial products and terms, per provider to understand the terms of lending available to borrowers. It has started doing so and has an initial list of financing products. This list needs to be further enriched, and this knowledge must become familiar to the project's rural finance (RF) experts and by extension to all project management and implementation unit. The project's RF experts should run a test with the FI for understanding all stages involved to get a loan as if they were the actual borrowers. This should be done with all FIs including banks, MFIs, SCGs Development FIs etc. This initial information will be the input for the supply side database. For the demand side, the project should set up a questionnaire to identify the financing needs of beneficiaries; start interviewing beneficiaries using the questionnaire; adapt and fine-tune the questionnaire; and start using the questionnaire at all interactions with new potential actual beneficiaries.

**Youth Inclusion.** The project is advised to timeously analyse M&E data to determine the trends and progress towards meeting targets for the participation of women, men and youth for the project to make timely adjustments to implementation and improve project performance. The mission would like to highlight ensuring that project monitoring and evaluation (M&E) systems collect, analyse and track age- and sex-disaggregated data to track impact and achieve better focus of project interventions for the different age groups, particularly the younger youth (18-24 years).

**Adaptation to Climate Change.** At design, it was envisaged that component three activities would be financed using GCF resources, and thus the project was designed with a financial gap. It is anticipated that by first or second quarter of 2022, the project is likely to receive the additional resources. However, as the project awaits these resources, it is encouraged to continue undertaking some of the interventions at low scale to better understand what works where, how and when. There is need for the project to develop an action plan for climate resilience and climate financing and have the same further reviewed and validated by relevant stakeholders, such as farmers, VC actors, financial institutions, MTEA, MoA, SMLP, chiefdoms etc. The action plan will systematically identify the flow of activities, nature of climate focused products and loans, targets, costs, implementation arrangements, and responsibilities as well as milestones.

**Targeting and Outreach.** The mission found that targeting is still at its initial stages, but there is evidence of good care being exercised by project staff and implementing partners to ensure that the multi-layered targeting approach as designed is strictly adhered to in order to identify the right regions and beneficiaries earmarked for support. Relevant guidance documents were developed, and orientation training on social inclusion was provided to staff, implementing ministries and other key stakeholders to ensure that FINCLUDE targeting is inclusive and effective. Special attention is being given to youth inclusion, especially to increase participation of younger age-groups of the youth (18-24 years). Consultations are on-going with the youth with the view to developing a more relevant and effective communication



strategy targeting especially the younger categories of the youth, who to-date have been relatively less represented in beneficiary mobilization and sensitisation processes. It has been agreed that the current focus on increasing youth engagement and participation be intensified.

**M&E, Knowledge Management.** The performance of the M&E system could be improved by accelerating the processes necessary for its set up. In particular, expedite (i) the baseline survey currently at tendering stage, (ii) development of the MIS to support data management and day-to-day monitoring and (iii) development of the M & E plan to guide the M & E processes. The Knowledge management function could be enhanced by ensuring that lessons are captured based on evidence and potential for scaling-up or policy engagement. Knowledge management should draw on M&E data for lesson learning and timely adjustment of implementation should be made.

**Project Management.** The project management needs to accelerate the implementation, apply gradual phasing in – strategies, anticipate, identify low hanging fruit and above all to manage processes in parallel. As the field staff has already been recruited, there is an urgent need to agree with the MoA about the arrangements for the regional offices, acquire office equipment and laptops for the new teams. There is already one vehicle assigned for each office; it is urgent to complete the conditions of mobility with the purchase of motorbikes as foreseen in the design. Regarding recruitments, the project is urged to conclude the recruitment process for the permanent CFI CEO/project Director, coordinators of the components 2 and 3, and Social Mentor Supervisors.

**Revise the Procurement Plan and Submit to IFAD for a NO.** The mission has also noted the necessity of switching from motorbikes to cars to enable the project to provide appropriate means of transport to frontline officers implementing project activities at community level. To facilitate this, and also accommodate other additional procurement needs that were not in the original procurement plan (e.g., server), the Procurement Plan needs to be changed in line with what was discussed during the mission and submitted for IFAD NO (motorbikes and server). The PMU has further agreed on the need to ensure consistency between AWBP and PP by reporting all the activities scheduled

**Increase Efficiency in Procurement.** As part of crucial measures to accelerate implementation and budget execution, the mission has discussed and agreed with the PMU on the need to enhance efficiency in procurement by establishing framework contract agreements for accommodation, travel and facilities. A guide outlining the Standard Operating Procedures will be prepared for proper contract management.

**Urgent Need to Finalise Automation of FINCLUDE Financial Reporting in SUN Systems.** The mission finds FINCLUDE's accounting system compliant with the International Financial Reporting Standard (IFRS) and the PMU processes the accounting transactions through SUN Systems accounting software timely. However standard financial reports are still being done manually in Ms Excel because the financial reporting system in Sun Accounting Software is yet to be configured by the system developer based in South Africa due to closure of borders as a result of COVID-19. As the project up-scales implementation and expenditure increases in 2021 to compensate for lost time, conclusion of the configuration, testing and use of the Accounting Software for FINCLUDE has become urgent. FINCLUDE is urged to explore feasible alternative options should travel to South Africa continue to be restrained by COVID-19 travel moratorium.

## D. Overview and Project Progress

### Component 1: Inclusive cluster development

Due to delays in starting the implementation of the FINCLUDE project because of delayed assumption of duty by key project staff, movement and activity restrictions that were ushered in by the COVID 19 pandemic in March 2020, and shortage of fuel for government officers working with FINCLUDE: inclusive cluster development activities were behind schedule at the time of this mission. Communities across all the 4 regions of Eswatini were mobilized with the help of MoA agricultural extension officers and MTAD Community Development staff in the regional and Tinkhundla Centres, and with the support and facilitation of the local governance structures (Chiefdoms), the FINCLUDE project was introduced. Communities were facilitated to choose a value chain (red meat-cattle fattening, white meat-pig production, white meat-indigenous chicken production, horticulture (olericulture)-vegetable production) and legume production around which community synergies will be aggregated to produce a commodity to serve an identified market, with concomitant development and support from other value chain actors and service providers. The cluster commodity value chains are largely agricultural, however flexibility with respect to the value chains that might be of interest to specific groups that are targeted by the project (youth-young men and women) may need to be factored in during implementation. Commodity value chains that will sustain cluster SMEs have been identified in each region and opportunities and obstacles that need to be addressed in each chosen value chain discussed with each community/cluster and put into perspective in terms of the overall development plans for each chiefdom. Thirty-nine (39) communities had been sensitised by the time of this mission.

A rapid rural market assessment has been completed to determine current supply and demand of commodities chosen for commodity production by each cluster. The rapid rural market assessment also allowed some modicum of value chain analysis through mapping of value chain actors (producers, suppliers of inputs and services, sources of finance, cold chain

facilities, transport and distribution, aggregators and middlemen, buyers, informal and formal markets) and the determination of their roles for each commodity value chain. Value chain analysis will provide entry points for the FINCLUDE project to identify impediments along the value chain that act as choke points that need urgent attention, to unlock value for all value chain actors.

Beneficiary identification forms have been distributed to all the 4 regions and in the week following the review mission beneficiary identification committees involving community leaders, gender and age balanced representatives of youth, poor women and other beneficiaries, and FINCLUDE personnel; will assess and recommend beneficiaries that meet inclusion criteria for the project. Details on the beneficiary forms will be analysed to profile all beneficiaries of the project, to enable tailoring of interventions like capacity building or training, to the education, training and experience profile of each beneficiary. If this is done accordingly, it will precisely target capacity building activities like technical training to individuals that need it. However, the efficacy of prior background and experience of project beneficiaries needs to be ground-truthed through monitoring them during implementation of the project and providing technical support if they exhibit weaknesses that are likely to compromise success of their production and business ventures. Some young people in each cluster will be trained as mentors that will monitor and provide technical and business support to peers as production and business activities are rolled out.

During FGD with all prospective beneficiaries of the FINCLUDE project, especially the young man, woman and widow that we had the privilege to interview, it was apparent that a lot of interest had been raised among prospective entrepreneurs in this group, who had brilliant project plans, who were waiting for the project to start, and be assisted to actualize these plans. They all asked when the project would start in earnest. Further delays in implementation of the project will dampen the enthusiasm of these young people. The project needs to move with uttermost speed to start implementation, with a few beneficiaries that show most promise as potential entrepreneurs that will act as beacons and islands of success to pull in other beneficiaries into the project. These young people with land and ongoing horticultural operations, are ripe and ready for assistance to scale up their operations and constitute low-hanging fruits that the project needs to start with immediately, to project the potential benefits of FINCLUDE to the rest of the communities. A phased project implementation strategy may need to be implemented, whereby communities that have completed the due processes of mobilization, beneficiary identification and profiling proceed to the next steps of the project, without waiting for other communities to also complete. The early implementers become role models for the other communities that will follow.

During discussions with MoA personnel that were involved in rapid market assessment, it was pointed out during FGD that because of COVID-19 restrictions, most people found themselves at home with little to do, and they put their energies into homestead vegetable gardens and precipitated a glut of cabbages on the local market causing their price to collapse. However, FINCLUDE will link clusters, through supply contracts, with buyers, off-takers and aggregators, some of whom are linked to export markets. The Supervision Mission was informed that there are some pack-house with cold chain facilities that are run by government departments in Swaziland. To maximize value and return from vegetable production and such pack-houses, they could be leased to private aggregators and exporters that move products to lucrative markets.

COVID-19 travel and meeting restrictions have been partially lifted throughout southern Africa and in Eswatini in particular. Despite the hard lockdowns that were instituted from March 2020 onwards until October-November 2020 in most countries in SADC COVID-19 persists in all countries and in some countries its rate of spread is ominously threatening a second wave of the pandemic. According to the COVID-19 SADC Status Update (<https://www.sadc.int/issues/covid-19/>), on the 7<sup>th</sup> of June 2020; Eswatini had 289 active cases, 6 of the cases being new. A total 6501 confirmed cases and 122 deaths were recorded since March 2020. There is therefore persistent community spread of the virus which the hard lock-down did not manage to stop and FINCLUDE project activities are exposed to COVID-19 risk. Given the fact that one of the main factors delayed implementation of the FINCLUDE project, it is prudent to institute a risk assessment and mitigation plan for COVID-19 that informs on how the future project activities will respond to various scenarios with regards to the COVID-19 pandemic, until an effective vaccine reaches the country and is widely distributed to confer herd immunity to the population.

## **Component 2: Increasing supply of rural financial services**

The Rural Finance component aims to promote responsible access to credit and link producers to appropriate financial institutions to access required resources for their investments. The project's start and progress have been seriously delayed for external and internal causes (the project's director – a key presence for the project's strategic guidance–resigned, and Covid stalled field visits). As a result, the component's implementation lags seriously behind schedule.

The project has started engaging with financial institutions (banks and NBFIs) to explain the overall objectives and strategy and attract their interest. The response is very positive, and some banks have committed to participate from the beginning in multi-stakeholder meetings to interact with beneficiaries for understanding their operations and financing needs (size, terms, risks, mitigation) and convey the requirements for accessing credit. As the multi-stakeholder meetings are not yet in place, the process has not yet started and the momentum risks to be lost.

The project needs to catalogue available financial products and terms, per provider to understand the terms of lending available to borrowers. It has started doing so and has an initial list of financing products. This list needs to be further enriched, and this knowledge must become familiar to the project's rural finance experts and by extension to all project

management and implementation unit. Appropriate staffing is not there yet, which causes further delays. Moreover, the nature of this information has to become more in-depth, practical and hands-on. That would mean that project's RF experts need to know all the details for accessing finance e.g. not only size, duration, interest rate, terms of repayment but also any other requirement e.g. paperwork needed, processing time, approval criteria, collateral requirements, how flexible is the FI to discuss other terms etc. It should then link the existing financial products to the identified financing needs (e.g. cash for inputs, required grace periods etc.). The project's RF experts should run a test with the FI for understanding all stages involved (to get a loan) as if they were the actual borrowers. This should be done with all FIs including banks, MFIs, SCGs Development FIs etc. This initial information will be the input for the supply side database. Once the information is there, the project will have to decide how and when to update it and setup relevant infrastructure to host it, if needed.

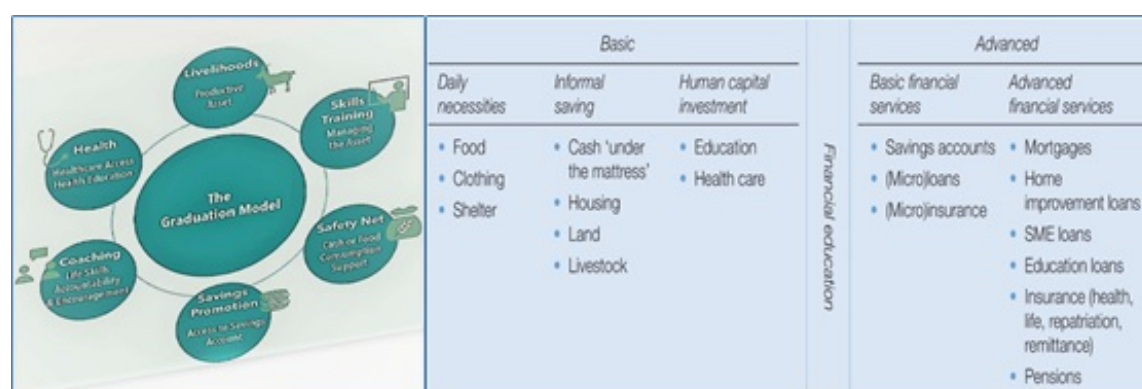
As part of the above exercise (supply-side for credit), the project should start understanding the possibility (if any and under what conditions) to utilize untapped resources of SCGs to the benefit of beneficiaries. To do that it should begin engaging with typical SCGs, to extract information like with any other FI. Once it has comprehended the available options and relevant conditions, the project can start cataloguing them for its use. SCGs are by definition averse into being catalogued because they wish to operate "under the radar". The project does not have to disturb this status quo. The project already made progress on the institutional part of the cooperation with SCGs but not in the real understanding of the potential use of them. It must be clear that institutional collaboration with SCGs will be done only for the benefit of beneficiaries (and only if there is a clear indication that there can be any) not just for the sake of registering the existence of SCGs. The project should soon develop a strategy on how they can cooperate with SCGs and how the cooperation can be mutually beneficial to the parties involved.

Similarly, with the supply side, the project should start engaging closer with beneficiaries to understand their financing needs. As with the FIs, the project should have a clear understanding of every beneficiary's or potential beneficiary's needs for financing and the relevant impediments (if any). The project should conduct interviews and distribute questionnaires that would reveal credit requirements such as needed amounts, duration of a loan, necessary grace period, possible repayment schedule (principal and interest), assets to cover possible collateral requirements, financial maturity level (financial literacy, confidence level to approach the FIs, understanding of the FI structure and opportunities etc.) business maturity level (the concept of the investment, economics of the investment, feasibility considerations etc.). Interaction with beneficiaries and patterns revealed by questionnaires will allow the project in a short period to develop a better understanding of the demand side and be able to quickly match it with available products or discuss the possible development of new with FIs if needed.

The project has made substantial progress on assessing the state of play regarding the development of a national credit registry. It held relevant meetings with various stakeholders and established its intention to support the process as a pilot. The project should now decide on the fields that will be included in the project's database/ credit registry to populate it with records as they arise. The pilot credit-registry under the project will fall under normal M&E activities. Given that there are not any active loans among the beneficiaries, it is too early to discuss how populating the records will be done. However, some preparatory work has to be done already to determine the fields that will be included and the infrastructure (software and hardware) that may be needed to host them. The project can engage with IT service providers, discuss the specifications and gather initial offers, to have an understanding of the size of the required investment.

The project has started engaging with the Central Bank and other FIs for the establishment of FIRM. As the requests for credit by beneficiaries has not started yet, this activity is not pressing. However, it should be underlined that the design documents put extra stress on the fact that it should be not called a guarantee. The beneficiaries under no circumstances should feel that their loans are guaranteed. They will otherwise consider them as grants, and NPLs will rise. Keeping this in mind, FIRM actual setup can be envisaged for some time in the Spring of 2021 provided there is enough momentum on the demand side.

figure 1: Graduation Model ( an example)



The same applies to the graduation roadmap. This is directly related to the groups of beneficiaries the project will be supporting. In the meantime, the project should, however, start understanding what this is about and develop a skeleton for it. Relevant guidance has been given already. Here are some relevant ideas.

The project has also started discussing an MFI study. It must be understood that a theoretical analysis would not be of any use to anyone. At the design phase, "Microprojects" expressed interest in becoming an MFI. The relevant budget line was for a study that would help them assess how they would become an MFI, what are the steps, and if they are ever able to accomplish them. This took, however place, a few years ago and the reality may not be the same. The project has the reevaluate the situation and assess if the ground is still fertile for such a venture. The project must also evaluate if there are other candidates (FIs or others) who, in the meantime, have developed relevant expertise or appetite towards becoming or establishing an MFI. The project will then decide on how to support them with a relevant practical study.

In short, given the internal and external shocks that the project has suffered, it needs urgently substantial implementation support for boosting the progress of component 2 (and of component 1 to provide the necessary demand for component 2). By design, this type of projects need implementation support. They leverage substantial amounts of private sector investment (highly efficient projects, with often 10 times lower unit costs for leveraged investment, compared to other donor-supported interventions), but need guidance and coaching at the initial stages, until PMU's embrace the concept. This is the reason why at design, the project was assigned with a special fund to draw resources from when technical capacity is needed.

### Component 3: Climate Resilient Decision Making and Investment

Even if the climate funding is not yet assured, it is important to recognize the areas of work related to the environment and climate mainstreaming from the very beginning. FINCLUDE is beginning to conceptualize the required interventions and anticipating these activities in the 2021/2022 AWPB. Some of the anticipated activities include sustainable waste management, sustainable use of agrochemicals, improved water efficiency, water harvesting, promotion of CA, small scale irrigation, sustainable land and rangelands management, climate insurance, climate and weather information system, and climate financing.

<sup>[1]</sup> Reminder: during supervision we saw beneficiaries that were aggregators and in need of relatively small amounts of financing that could be met even by Inhlanyelo. A small cluster can be developed around them to start testing the ground. Around them experience will be developed. Learning by doing. Quick-wins from low hanging fruits.

<sup>[2]</sup> This knowledge has to be dispersed to all FINCLUDE team so everybody can better serve the beneficiaries.

Notes: Implement the agreed Capacity Building Plan as agreed by the Mission.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Increase the technical capacity of frontline government officers supporting beneficiary engagement, sensitization, selection and capacity development for Component 1 (Business Development)</b>	MoA & MTAD	06/2020
<b>Provide government technical officers with resources to improve mobility</b>	PMU	01/2021
<b>Project needs to identify demand for financial products (relatively mature beneficiary groups) and engage in pilot collaborations with FIs to identify and iron out the edges</b>	CFI	01/2021
<b>Demand Supply database</b>  Demand Supply database (demand side). Set up a questionnaire to identify the financing needs of beneficiaries. Start interviewing beneficiaries using the questionnaire. Adapt and fine-tune the questionnaire. Start using the questionnaire at all interactions with new potential al actual beneficiaries	CFI	01/2021
<b>Start discussing with IT service providers to establish the architecture, hard and software requirements and cost of the credit history and demand/supply database</b>	CFI	01/2021

<b>Visit some SCGs and see how they can support the beneficiaries. Discover a benefit they can gain by cooperating with FINCLUDE and lure them in</b>	CFI	01/2021
<b>Establishing and formalize business relationships between FINCLUDE and the Government for the leasing of the cold-chain facilities by project beneficiaries</b>	PMU	02/2021
<b>Demand Supply database (supply-side). Start negotiating loans (real or mock) with FIs (all types) to get a clear understanding of the intricacies (difficulties) that the beneficiaries are and will be facing</b>	CFI	02/2021
<b>Decide on strategy on how to engage with SCGs institutionally to the benefit of the project</b>	CFI	02/2021
<b>Seek external support to understand better the principles of financial graduation (initial stages) model. Continue this process. This is not a study</b>	CFI	02/2021
<b>Engage with Microprojects to see where they are standing in their progress towards becoming an MFI. Find out if there are other parties interested in entering this sector. Finance a study only if there are clear indications of commitment and success</b>	CFI	03/2021
<b>Assess the feasibility and commercial viability of assisting FINCLUDE beneficiaries</b>  Assess the feasibility and commercial viability of assisting FINCLUDE beneficiaries to lease cold chain facilities owned by the Government, and developing appropriate business models for vegetable pack-houses and related facilities from a VC perspective supporting a number of VCs established in the communities	PMU	06/2021
<b>Engage with Microprojects to see where they are standing in their progress towards becoming an MFI. Find out if there are other parties interested in entering this sector. Finance a study only if there are clear indications of commitment and success</b>	CFI	12/2021

## E. Project implementation

### a. Development Effectiveness

#### Effectiveness and Developmental Focus

**Effectiveness**

**Rating: 3**

#### Justification of rating

Development effectiveness is rated as moderately unsatisfactory, because the project has made minimal progress in achieving output targets mainly due to delays experienced in staff recruitment and implementation. Progress has mainly been made in the setting up of systems, development of strategies for successful implementation and introduction and roll out of the project to targeted communities, mobilisation of existing producer groups under ESNAU to take part in the cluster development activities, development of Knowledge management, gender and youth targeting strategies, and subsequent ToT of project and partner staff. In order to accelerate progress towards development effectiveness, the project should have a more increased focus on results as well as devise strategies to accelerate implementation of major performance targets. The mission recognises the impact of COVID-19 on implementation of field level activities



## Log-Frame Analysis & Main Issues of Effectiveness

Development effectiveness is expected to be achieved through the successful implementation of the targeted project interventions across all project components. Implementation of interventions identified during the first year, has largely lagged behind due to several constraining factors such as the covid-19 pandemic and the slow progress of setting up systems necessary for implementation. As a result, the project has not progressed towards achieving output targets yet. At the same time, few activities have been undertaken particularly under component two and component three.

Despite the slow start, some progress has been achieved in the identification and selection of project beneficiaries, development and rolling out of gender and youth targeting strategies, and mobilisation of existing producer groups to participate in inclusive cluster development activities. The project team has been able to introduce and roll out the project to 39 out of the 40 planned communities and has since developed and distributed beneficiary identification forms to be used in selection of farmers to participate in the project. The forms have been given to the community selection committees who are key in the selection process. Progress has also been achieved in social inclusion and social mentoring through the development of the social inclusion manual and training of trainers of 33 staff from the project and partner institutions. The project has also been able to mobilise 7 producer groups working under the ESNAU to be oriented to participate in cluster development activities.

Development effectiveness as well as performance of the project logframe could be improved by accelerating implementation of activities across all components and ensuring an increased focus of results.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Develop a results-based focus to implementation in order to accelerate progress towards development effectiveness (concrete outputs by the time of the next supervision mission)</b>	PMU	12/2020

### Development Focus

#### Targeting and Outreach

Rating: 5

#### Justification of rating

The targeting strategy for FINCLUDE is strong, based on clear lines of logic informed by a good understanding of evidence on key parameters that define the target groups and their needs. The mission found evidence of good care being exercised by project staff and implementing partners to ensure that the multi-layered targeting approach as designed is strictly adhered to in order to identify the right regions and beneficiaries earmarked for support. Relevant guidance documents were developed, and orientation training on social inclusion was provided to staff, implementing ministries and other key stakeholders to ensure that FINCLUDE targeting is inclusive and effective. The FINCLUDE Social Inclusion Manual, FINCLUDE Targeting Protocol, the FINCLUDE Youth and Gender Strategy, along with the Community Sensitisation Guide and the Youth Focus Group Guide, are all carefully thought-out instruments developed and operationalised to ensure targeting efficiency.

The targeting process has started with geographical targeting of regions that agro-ecologically and commercially support the selected five priority commodities (red meat (i.e., beef and goat), pig, poultry, vegetables and legumes) around which clusters of smallholder farmers and entrepreneurs will be developed. During community sensitisation meetings conducted under Component 1, special measures have been introduced to ensure that youth are reached. FINCLUDE staff recognise the importance of disaggregating the youth into four categories as defined in the FINCLUDE Youth and Gender Strategy: a) young youth (18-24); b) older youth (25-35); c) male youth and d) female youth.

#### Main issues

As the first step in targeting, the project has held community level sensitisation and consultations in all planned 39 communities reaching a total of 3,606 people against a target for year 1 of 1,200. Women constitute an almost equal number to that of men, 1798 and 1808, respectively. This shows good efforts to reach women and men.

The FINCLUDE Social Inclusion Training, carried out soon after staff took office, emphasised topics such as how to do mobilisation, ensure those mobilised get the right information and are convinced by the product and services of the project. As per the FINCLUDE Youth and Gender Strategy, and guided by the experience from the first sensitisation meetings, staff have been continuously devising strategies to ensure the project consults youth on their needs and responds to the differentiated livelihood pathways and constraints faced by young men and women in different ages and in different stages of life (youth in the process of defining their livelihood options which are more prone to change — aged 18–24, as well as married/settled youth, generally aged 25–35).

Areas where communities were sensitised on the FINCLUDE support were selected through a consultative process involving relevant government technical departments who advised on poverty levels, agro-ecological suitability, climate change impact considerations, the current production levels of the five targeted commodities, feasibility of marketing

arrangements and key partners already working on this subject in these areas. According to FINCLUDE staff, feedback and questions received from those sensitised confirm that the sensitisation meetings were held with the appropriate potential beneficiaries. A review of the minutes of the proceedings of the sensitisation and consultation meetings with target communities confirms that the project activities have been appropriately targeted so far, and further confirmation will be at beneficiary profiling stage in January 2021, after the beneficiary identification forms have been filled by potential beneficiaries.

While it is too early to confirm if goods and services responding to the needs of the intended target groups (as project support is yet to be delivered to potential beneficiaries), there is strong indication from the needs expressed by those reached through sensitisation meetings that the proposed project activities (capacity building, facilitation to access to finance, support with production (e.g., irrigation) and marketing infrastructure, and facilitation of market linkages) are likely to be taken up.

It is too early to assess if services or resources being channelled to intended individuals or households as beneficiaries are still to be selected. Data collection for beneficiary profiling and selection is in progress. However, feedback for potential beneficiaries mobilised and sensitised shows FINCLUDE has mobilised the appropriate target groups as some have requested the project to come back to do additional sensitisation. Some are already considered ready for “access to finance” but FINCLUDE will cautiously first train them on financial literacy and business management before linking them to access to finance.

Members of parliament were consulted early on the FINCLUDE strategy, and institutional mechanisms through which to deliver the project and they gave recommendations which have assisted the project on how to work well with institutional structures at the community level. The Ministry of Agriculture technical officers played a crucial role in the selection of geographical locations with the appropriate agro-ecological conditions to support productivity improvements for the five commodities targeted. The project has chosen community development committees as the vehicle through which beneficiary selection will be coordinated at the community level. This is after a careful analysis of institutional arrangements existing on the ground and their capacity and potential to contribute to targeting effectiveness. The project plans to train these CDCs to equip them for this new beneficiary selection process. The project is also working with several other government ministries relevant for the agricultural commercialisation agenda. In addition, FINCLUDE has opened itself up to explore partnerships with other state agencies, the UN, NGOs and cooperatives strong in agriculture who are keen to work with FINCLUDE (e.g., National Maize Corporation, WFP, World Vision, Women Farmer Foundation, Catalyse and Shiselweni Horticulture Cooperative, among others). These are already working with some of the farmers and enterprises that will be eligible for support under FINCLUDE. The finance sector partners (Central Bank of Eswatini (CBE), Financial Services Regulatory Authority (FSRA), Nedbank, Eswatini Bank, Inhlanyelo Fund, Imbita Women Finance Trust and Africa Cooperative Action Trust (ACAT) possess the relevant capacities to contribute meaningfully to the selection of those eligible for financial support.

During the beneficiary mobilisation and sensitisation process, the project has consciously been monitoring participation of women and youth, but missed essential information on ages of participants during the sensitisation meetings. This is now being gathered through the beneficiary identification forms, distributed to all 39 communities sensitised so far, for self-completion by those who participated in the sensitisation sessions. The forms will also capture information on sex, marital, and disability status, as well as other essential beneficiary profiling and screening information needed for analysis.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Complete collection of targeting data using the Beneficiary Identification Form in the first 40 communities where sensitisation has been completed</b>	Inclusion Specialist / Cluster Development Staff	01/2021
<b>Train Community Development Committees on FINCLUDE Targeting Strategy</b>	Inclusion Specialist / Cluster Development Staff	01/2021
<b>Consult young people (18-35 years)) on: a) most effective ways to reach them with information on FINCLUDE; b) types of projects they are keen to participate in; and c) the support they will need in order to participate viably and sustainably</b>	Inclusion Specialist / Cluster Development Staff	02/2021
<b>Update FINCLUDE Youth and Gender Strategy to incorporate above findings</b>	Inclusion Specialist	03/2021
<b>Beneficiary profiling (analysis of capacity and scale) (first 40 communities)</b>	Inclusion Specialist / Cluster Development Staff	03/2021
<b>Roll-Out Business Skills Training Clusters (farm business diaries customised to enterprise and local context)</b>	Cluster Development Staff	05/2021
<b>Deliver Group Dynamics and Management Training to Clusters<sup>1</sup></b>	Cluster Development Staff	06/2021
<b>Mobilising clusters and establishment of baselines</b>	Cluster Development staff	09/2021

**Gender equality & women's participation**

**Rating: 4**

#### **Justification of rating**

Progress made by the project on promoting gender equality and women's empowerment (GEWE) is rated moderately satisfactory. The project has a social inclusion manual, which clearly articulates how FINCLUDE will address entry barriers due to gender equality. This includes women's access to land, knowledge and other productive resources. The PMU has a dedicated member (Social Inclusion Specialist) responsible for social inclusion issues including gender mainstreaming and youth inclusion in FINCLUDE; adequate human and financial resources are allocated to gender mainstreaming and youth inclusion activities in the AWPB.

#### **Main issues**

The FINCLUDE design includes a very strong and clearly articulated social inclusion strategy including a social mentoring programme that is implemented throughout the lifetime of the project. At design phase, a gender and age sensitive commodity analysis led to the identification of the value chains to be supported by the project: beef, pig, poultry, vegetables and legume seeds. It is expected that the majority of beneficiaries will be youth aged 18 to 35, and as such the project developed a comprehensive youth targeting strategy which details innovative and contextualised strategies for removing barriers to youth participation and generating interest from young men and women. The project is engaging Chiefs and community leaders in ongoing sensitization meetings, and starting dialogue on how local leaders and communities can support the youth to effectively participate and benefit from project interventions including issues of access to land by landless women and young unmarried youths (men and women).

The Terms of Reference for the design and development of the project's social mentoring manual and training have been drafted and the procurement process is underway. The social mentoring process will aim to remove the barriers to



women's participation by employing evidence-based tools such as the GALS methodology and Stepping Stones as part of a comprehensive social mentoring programme to address any gender inequalities at household and group level.

The project has developed tools for capturing gender disaggregated data and such tools are being applied in the ongoing community sensitizations. At the time of this mission, data from the community sensitizations had not yet been analysed to show if targets for women and youth participation had been met. The project is advised to timeously analyse M&E data to determine the trends and progress towards meeting targets for the participation of women, men and youth for the project to make timely adjustments to implementation and improve project performance. The mission would like to highlight ensuring that project monitoring and evaluation (M&E) systems collect, analyse and track age- and sex-disaggregated data to track impact and achieve better focus of project interventions for the different age groups, particularly the younger youth (18-24 years).

As highlighted in the Social Inclusion Manual, the project should continue to leverage the community sensitization meetings, social mentoring and other processes to influence Chiefs, men and other custodians of local traditions and culture to be the champions of gender equality and reduction of women's burden of unpaid work. Women's participation in economic activities afforded by projects such as FINCLUDE are often limited by workload which encompasses unpaid care work, reproductive roles and household chores. To complement the social mentoring activities, the project should consider supporting ventures that increase access to labour-saving technologies. Such interventions could include collaboration with the Ministry of Agriculture, which is a key implementing partner in the project, to promote technologies such as tractors, shellers and other labour-saving productive and post-harvest technologies. Local production and replication of post-harvest and household labour saving technologies could provide an off-farm economic opportunity for the youth.

The project is developing a dedicated youth communication strategy to better engage and ensure effective and innovate ways of communicating with the youth according to the differences in needs based on age, gender and geography. The project has successfully made use of WhatsApp groups to mobilize youths for community sensitizations. FINCLUDE's experience with youth engagement during the community sensitization meetings showed that it was easier to engage the married youth aged 25-35 than the unmarried youth aged below 25 years. This was found to be due to a greater sense of family responsibility among the former. Hence the project is urged to expedite the finalisation of the youth communication strategy to provide guidance on the most effective ways to attract and retain the interest of youth of different ages and gender.

Although at the time of the mission no data was available on youth participation in community sensitization meetings, a key lesson that the project has identified regarding this exercise is that when meetings are held at the Chief's residence, the youth are not free to express themselves openly and honestly. Youth-only meetings held at a neutral location provide a 'safe-space' for the youth to find their voice and to express their true needs and challenges.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Ensure that youth data is analysed and presented being disaggregated by sex and age group</b>	PMU	12/2020
<b>Fast track the procurement process for the Social Mentoring Expert.</b>	PMU	01/2021
<b>Expedite conclusion of the youth communication strategy</b>	PMU	03/2021
<b>Develop specific strategies within the Youth Engagement Strategy for attracting and retaining the participation of the younger youth in project interventions</b>	PMU	03/2021

#### **Agricultural Productivity**

**Rating: N/A**

#### **Main issues**

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#### **Nutrition**

**Rating: N/A**

#### **Main issues**

FINCLUDE acknowledges that gender norms and other social risks such as HIV acquisition and poor nutrition could impede the sustained engagement of target beneficiaries in income generating activities supported by the project. Malnutrition associated with lack of production of food for consumption by participating households and an increase in food prices the project has been identified as a social risk that could limit project impact. To mitigate this risk and to

address malnutrition among the project's target group, the project delivers nutrition education and behaviour change communication through its social mentoring activities. Terms of Reference for a nutritionist to support the development and delivery of the social mentoring manual have been drafted. Social mentoring in the project will make use of the Gender Action Learning System and Stepping Stones methodologies to address issues of gender, nutrition and HIV which all have an impact on household nutritional outcomes. Nutrition education shall include messages for young women of child-bearing age, the first 1000 days from conception as well as people living with HIV and AIDS.

The mission observed the PMU's interest to include more nutrition sensitive interventions in the project. While these considerations may indeed position the project to better address the underlying causes of malnutrition among the target group, the mission advises the project to follow a gradual process in including new nutrition activities and to do so giving due consideration to the nutrition needs of the project beneficiaries. Should more NSIs be selected to complement the nutrition education that will be provided through the social mentoring process, these should follow a clearly defined impact pathway and well-articulated operational plan, with adequate resources (both human and financial) and reporting. The project is encouraged to visit the National Nutrition Mainstreaming Strategy that was developed by the SMLP project in collaboration with the Department of Home Economics in the Ministry of Agriculture, to identify nutrition mainstreaming areas in which FINCLUDE can make the greatest impact within the national framework. Synergies with the Department of Home Economics and/or the SMLP project should be explored in this regard. In selecting/prioritising any additional NSIs, the due consideration should be given to the nature of the challenge of malnutrition among the project's main target group, the youth, and the unique ways in which this target group can contribute to improved nutritional outcomes.

The mission recommends that the project includes at least one core nutrition outcome indicator in M&E: percentage of the targeted people who have improved knowledge, attitudes and practices (KAP) of food, feeding, caring and hygiene. The nutrition indicators should be integrated in the baseline survey to enable assessment of the impact of project interventions. (Please see the attached technical annex 1 for detailed recommendations on nutrition mainstreaming in FINCLUDE).

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Define a clear impact pathway for addressing the identified social risk of malnutrition associated with lack of production of food for</b>  Define a clear impact pathway for addressing the identified social risk of malnutrition associated with lack of production of food for consumption by participating households and an increase in food prices	PMU	01/2021
<b>Integrate nutrition indicators in the baseline survey</b>	PMU	01/2021

#### **Adaptation to Climate Change**

**Rating: 4**

#### **Justification of rating**

FINCLUDE has a strong focus on climate adaptation and some interventions geared towards mitigation actions. The project will mainstream climate resilience and finance into its rural operations through investments in climate and weather information, climate finance, GAPs, CA, smallholder irrigation, efficient use of water, and SLWM practices. There is need for the project to develop a comprehensive climate resilience and climate finance action plan that will provide direction on key climate mainstreaming actions, climate focused products and loans, targets, milestones etc. The project also needs to fast track the recruitment of a full time Coordinator component 3 in order to accelerate implementation.

#### **Main issues**

FINCLUDE has a strong focus on climate adaptation and some elements of mitigation. The project has a three-pronged approach to addressing climate resilience and climate finance within its rural finance operations. These are: a) climate information services and weather advisories for farmers, traders, value chain actors and financial institutions; b) establishment of a climate investment facility to leverage investments in climate resilience; and c) improving access to climate finance to enable long-term access to climate finance by key value chain actors. At design, it was envisaged that these three activities would be financed using GCF resources, and thus the project was designed with a financial gap. To date, IFAD has already developed the GCF Project Concept Note (CN), received approval by the Nationally Accredited Agency, in this case MTEA and reviewed internally within IFAD. The CN seeks 35M USD (both grant and loan) and will be submitted to the GCF in December 2020. It is anticipated that by first or second quarter of 2022, the project is likely to receive the additional resources.

However, as the project awaits these resources, it is encouraged to continue undertaking some of the interventions at low scale as a way to better understand what works where, how and when. The mission was pleased to note that the project has through its current AWPB and that of 2021/2022, planned the roll out of activities that will enhance climate adaptation and these include among others: GAPs; CA; water use efficiency; small scale irrigation; water harvesting; climate insurance; climate information and weather advisories; and sustainable SLWM and rangeland management practices. The

mission was glad to learn that the project has included as part of its criteria for cluster formation, climatic and agro-ecological suitability in the selection of value chains to be promoted in various chiefdoms. Climate smart agriculture practices are planned and integrated into value chain training sessions. The project has also included in its baseline data collection tool, the indicators on climate resilience and climate financing that were identified and included in the log frame at design. Poverty assessments take into account the findings of vulnerability assessments. This is commended.

The mission recommends that the project undertakes a gap analysis of the climate resilience interventions being done by SMLP, in the same chiefdoms that FINCLUDE will invest in. The gap analysis will help the PMU identify areas to place more focus and resources, as well as what to build on, with a view to enhancing synergies, cost efficiency and time saving. The project reported that it had already taken some steps towards this by becoming part technical working groups formed by SMLP and other national partners. With regards to component 2, there is need to start assessing market demand for climate focused interventions or products such as climate insurance, climate focused loan products, e.g. through climate fairs for key actors and farmers. Overall, there is need for the project to develop an action plan for climate resilience and climate financing and have the same further reviewed and validated by relevant stakeholders, such as farmers, VC actors, financial institutions, MTEA, MoA, SMLP, chiefdoms etc. The action plan will systematically identify the flow of activities, nature of climate focused products and loans, targets, costs, implementation arrangements, and responsibilities as well as milestones. The recruitment of the Environment and Climate Change Specialist should be fast tracked.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Fast track the recruitment of a full time Coordinator for Component 3</b>	PMU	03/2021
<b>Develop a climate resilience and climate financing action plan for the project to inform the systematic flow of interventions, loan products, implementation arrangements, targets, milestones, and responsibilities</b>	PMU	03/2021

## **b. Sustainability and Scaling up**

### **Institutions and Policy Engagement**

**Rating: N/A**

#### **Main issues**

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Early and continuing engagement in national policy work regarding improvement of agricultural marketing policies and financial inclusion</b>	PMU	12/2020

### **Partnership-building**

**Rating: 4**

#### **Justification of rating**

The project has identified a series of partnerships to support implementation, including one co-financing partner and several potential KM and policy partners. Some of the partners are already familiar to the CFI and some of them have even collaborated with the previous RFEDP project, which makes the engagement easier and smoother (See partnership Annex for more information). There remains scope to strengthen private sector linkages and crowding-in private investments which benefit the project target group. The project is encouraged to prioritize this area of partnership building and work to concretize them.

#### **Main issues**

In the area of co-financing, FinMark Trust is collaborating with FINCLUDE Implementing the Financing for Remittances Grant to support FINCLUDE Beneficiaries and develop Financial Literacy Module.

For technical collaboration and knowledge management, FINCLUDE has identified Catalyse, World Vision, World Food Programme, National Maize Corporation, Women Farmer Foundation and Shiselweni Horticulture Cooperative. In most of the cases the collaboration is in an early stage and service agreement or MoU is to be developed.

The finance sector partners include Central Bank of Eswatini (CBE), Financial Services Regulatory Authority (FSRA), Nedbank, Eswatini Bank, Inhlangelo Fund, Imbita Women Finance Trust and Africa Cooperative Action Trust (ACAT).

These collaborations are ongoing but the technical areas have been identified and they include: development and implementation of the credit registry particular to determine the demand and supply of financial services, development of tailor-made financial products, data management for saving groups and capacity development. Some of these partners have also been nominated to form part of the Technical Working Group (TWG).

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Strengthen private sector linkages and crowding-in private investments which benefit the project target group</b>	PMU	

#### **Human and Social Capital and Empowerment**

**Rating: 4**

#### **Justification of rating**

Comprehensive activities are planned in Appendix 4, which will impact human and social capital. A rating 4 is proposed at this stage, a more thorough assessment shall be done by subsequent missions based on the planned interventions

#### **Quality of Project Target Group Engagement and Feedback**

**Rating: 4**

#### **Justification of rating**

The project has a strong focus on the quality participation of the beneficiaries. The implementation has started with the beneficiary mobilization and sensitization campaign based on the detailed targeting guidelines of the design and targeting strategies and manuals developed by the project.

Given that beneficiaries non-cash financial contributions amount a significant percentage of the overall project budget FINCLUDE team is encouraged to maintain momentum on mobilizing and engaging the beneficiaries, establish adequate mechanisms to mobilize and monitor their financial contributions.

#### **Main issues**

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#### **Responsiveness of Service Providers**

**Rating: 4**

#### **Justification of rating**

The four initial implementing partners of FINCLUDE are: 1) Ministry of Agriculture (MoA), Ministry of Tinkhundla Administration and Development (MoTAD), 3) Eswatini National Agricultural Union (ESNAU) and 4) Small Enterprise Development Company (SEDCO). Staff from these institutions will be assigned to work as an integrated part of the project teams at central and regional levels, initially to raise their capacity then later to increasingly lead project activities. The collaboration with MoA and MoTAD is operational, while the arrangements with ESNAU and SEDCO are lacking behind of schedule.

#### **Main issues**

**MOA:** The Project is in active collaboration with MOA following endorsement by the PS Agriculture on the partnership. The Ministry of Agriculture has assigned altogether 60 Officers to FINCLUDE across the 4 regions. Fifty-five (55) of the officers are in the regions whilst 5 are at the national coordination level. Together, with the Officers, beneficiary identification commenced and will be completed in January 2021. The MOA Officers are also participating in the recently completed rapid assessment which aims at linking clusters to markets. The MOA has identified office spaces for the FINCLUDE team in the four regions; this is still pending formalities.

**MoTAD:** The MoTAD has seconded 19 personnel across the 4 regions of FINCLUDE to support the development activities. This partnership has assisted in the chieftdom, constituency and mobilisation in the communities. The ministry will be taking lead in ensuring that clusters are dealing well with cohesion issues. Further this groups will be linked to other development finance products. Service Level Agreement has been developed.

**ESNAU:** The project has developed a MoU with ESNAU to formalize the level of engagements as well to ensure accountability. Currently, ESNAU and FINCLUDE project have co-identified areas of operation through the database that ESNAU has developed over time in working with smallholder farmers. ESNAU has seconded 4 staff to the project, where currently there is a vacancy for 3 personnel. These will be filled as soon as the recruitments of the officers by ESNAU are finalised.

**SEDCO:** SEDCO was engaged for collaboration in the Project and expectations from each stakeholder were discussed.

However, they have not been key in the implementation as yet as their key role is in supporting the Business Management capacity building initiatives which are expected once the Clusters are formed. The Project expects more interactions from January 2021 with this partner.

The Ministry of Tourism and Environmental Affairs (MoTEA), including the Eswatini Meteorological Service, was identified in the design to be the fifth implementing partner under Component 3 – subject to securing climate co-financing.

FINCLUDE has developed a very close working relationship with the other IFAD funded project in Eswatini: Smallholder Market Led Project (SMLP) and with the implementing entity of SMLP, ESWADE. The two projects are in close communication constantly, sharing experiences and ideas, providing technical support to each other, participating in the event organized by each other. Once FINCLUDE becomes fully operational, the farmer groups of SMLP could also in concrete terms benefit from Component 2 activities of FINCLUDE.

In addition to these implementing partners, FINCLUDE will remain open to other organisations from the private and public sectors to second their staff into the project to develop their capacities on a similar arrangement.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Follow-up ESNAU to finalise secondment of staff</b>	ESNAU/PMU	01/2021
<b>SMLP and FINCLUDE to work out a modality on how in concrete terms SMLP beneficiaries could receive complementary support under Component 2 activities of FINCLUDE</b>	PMU/SMLP	02/2021

**Environment and Natural Resource Management**

**Rating:**

**Exit Strategy**

**Rating:**

**Potential for Scaling-up**

**Rating:**

### **c. Project Management**

**Quality of Project Management**

**Rating: 4**

#### **Justification of rating**

The FINCLUDE key staff is almost complete, with two the positions (CFI CEO/Project Director and Coordinator Component 2) occupied by seconded interim staff. The Climate coordinator positions is vacant as no candidate was found in the first round of recruitment during first semester of 2020. As regards CFI CEO, Ministry of Finance has released No Objection for this recruitment. The CFI CEO is in charge of the overall strategic management of the CFI and he/she also acts as project director for FINCLUDE. The recruitment agency has been identified after an Expression of Interest process and is expected to submit the Terms of Reference before advertising. As regards Component 2 and 3 Leads, the full process of advertising and interviewing is expected to resume in January.

The staff has been able to benefit from IFAD trainings in procurement and financial management. Regular staff meetings and PSC meetings are taking place and the agreements are registered in the minutes.

FINCLUDE has initiated the implementation by preparing well-articulated strategies and guidelines, which are of good or very good quality. Even if the actual implementation in the field has initiated, it is lacking behind the schedules.

#### **Main issues**

The FINCLUDE staff consists of CFI staff (project manager, chief finance officer, finance & administration officer, secretary and driver), two interim staff members (project director, and coordinator Component 2) and recruited staff. The recruited staff was selected by an external recruitment company. The key staff is complete expect above mentioned positions which are filled in by interim arrangements and the position of the Coordinator of the Component 3. FINCLUDE key staff members have been able to benefit from IFAD trainings such as financial management, and procurement trainings. M&E and KM officer is registered to the regional IFAD M&E training programme PRIME and has participated in the first module. The Project Manager is additionally benefitting from the IFAD Regional Policy Leadership Development Programme for Africa rolled out from July to December 2020 in partnership with TPC Leadership.

To accommodate a larger team, the project moved to a new office at the previous UN Premises in the centre of Mbabane with easy access. The Office Space has been accommodated for the team. Vehicles and Laptops have been purchased, even if both were achieved after the staff arrival, which had some negative impact for the early implementation.

As regards decentralized structure, the design foresees a field presence in four regions: Hhohho, Manzini, Lubombo and



Shiselweniare. Four Cluster Development Officers have been recruited, one for each region, the teams are completed by assigned staff: Cluster Mobilisation Supervisor and one Cluster Mobilizer it is 3 persons assigned to each region. The Project will recruit Social Mentor Supervisors once the Clusters are formed in the next quarter. The office space for the new teams will be provided by the Ministry of Agriculture (starting Jan 2021). There is an urgent need to ac

## Knowledge Management

Rating: 4

### Justification of rating

The Mission observed that the Project has elaborated an adequate Knowledge Management (KM) strategy and implementation plan which clearly articulate how KM activities will contribute to project performance and results. This has been associated with an adequate communication plan to support the KM strategy. The KM and communication activities detailed in the KM strategy are adequately reflected in the AWPB. The project has developed systems for ensuring systematic knowledge generation and lesson learning in the key knowledge themes as articulated in the KM strategy. Additionally, there is clear articulation of how M&E data will be systematically captured and analysed to provide evidence and application of the knowledge in improving project performance and results as well for policy engagement. No evidence was found to show that lessons learned are being documented or used to inform adjustment of project implementation. The mission strongly urges the project to start making use of the developed systems to capture lessons and apply them to improve project performance. This is particularly important considering that several project processes and activities have fallen behind schedule and could be accelerated. Lesson learning at this stage should inform strategies for acceleration of project implantation activities. The M&E system is still under development, as such at the time of this mission insufficient M&E data was available to provide for evidence-based lesson learning.

### Main issues

The mission commends the project for conducting a KM capacity assessment of the PMU and subsequently providing KM training to the PMU and implementing partners. The Mission noted that the PMU and implementing partners were oriented on and validated the KM strategy. As such, the PMU and their implementing partners clearly understand their individual KM roles and responsibilities as defined in the KMC strategy and have collectively developed action plans for implementation of the strategy. It is now expected that the project will effectively and systematically generate knowledge lessons and apply them consistently and systematically to improve project performance. In this regard, the Mission observed that the project has already missed several opportunities to generate and document lessons in the recently completed and ongoing processes including community sensitizations and beneficiary profiling. Now that the project has received training and developed the appropriate tools and systems for knowledge capture and documentation, it is expected that going forward as activities under component 1 and social inclusion progress, all processes are leveraged for lesson learning.

The project's planned multi-stakeholder cluster meetings and youth focus groups provide a basis for generation of rich knowledge on the FINCLUDE knowledge themes. The project is advised to ensure that lessons captured are evidence-based and have potential for scaling-up or policy engagement. In this regard it is important that the project expedites the finalisation of the M&E system to facilitate data availability which is key to this function.

An MIS system is continuously being developed and the time of this mission it was observed that the project MIS is functional and at a stage where it allows for safe and secure storage and archiving of valuable project information, reports and other documentation. A secure portal allows the PMU to share information, work schedules, documents and reports in an easy efficient and secure way. The system allows for easy access by all the users that are granted access rights to the different folders as per the project's discretion to ensure appropriate knowledge access and use while maintaining information privacy as appropriate. The project is however, advised to expedite the procurement of a server for safe storage of the anticipated large quantities of M&E data and other anticipated project documentation.

The project webpage has been developed. This is noted as a good step and the project is encouraged to keep the webpage up to date. Collaboration between the MIS and component coordinators is encouraged to continue to ensure that the project website is constantly refreshed with project updates and new knowledge. KM coordination in FINCLUDE is well integrated in the functions the M&E Specialist, an arrangement which the mission has noted as positive. The mission recommends the recruitment of a Knowledge Management and Communication Assistant to support the M&E Specialist in coordinating KM&C activities which are envisaged to increase as the pace of implementation picks-up.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Make use of the developed systems and tools to systematically analyse, document, share lessons from implementation</b>	PMU	
<b>Conduct regular reviews of implementation, drawing on M&amp;E data and lessons learned to make necessary adjustments to improve project performance</b>	PMU	

**Value for Money****Rating: 4****Justification of rating****Main issues****Coherence between AWPB and Implementation****Rating: 3****Justification of rating**

The coherence between AWPB and implementation is rated as moderately unsatisfactory because many of the activities identified during the year have not been fully implemented resulting in very low performance of the AWPB. Progress has partially been made in the setting up of systems for implementation, development of Knowledge management, gender and youth strategies, introduction of the project to the communities, and in the identification and selection of beneficiaries. However, this has not yet resulted into annual targets being met. The project needs to improve on the performance of the AWPB by adhering to a results-based approach to its preparation which ensures that activities identified during the year contribute to project output targets and are fully implemented.

**AWPB Inputs and Outputs Review and Implementation Progress**

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
Ensure Output based AWPB	Finance and M&E stuff	12/2020

**Performance of M&E System****Rating: 4****Justification of rating**

progress has been made in setting up the system. Data collection and information flow requirements are currently being developed with preparation of beneficiary identification tools completed. An M&E plan is being developed and is expected to improve results-based monitoring in the project once finalised. The performance of the system could be improved further by accelerating the processes necessary for its set up. In particular, expedite (i) the baseline survey currently at tendering The performance of the M&E system is rated as moderately satisfactory, because substantial stage, (ii) development of the MIS to support data management and day-to-day monitoring and (iii) development of the M&E plan to guide the M&E processes.

**M&E System Review**

**M & E Technical capacity:** The M&E function is well coordinated by an experienced M & E Officer. The Officer has so far adequately provided technical support to the components particularly in development of data collection tools for identification and selection of beneficiaries, development of an operational logframe and in development of the draft M & E plan. The M & E Officer benefited from the IFAD PRIME training carried out from 6<sup>th</sup> October to 7<sup>th</sup> November 2020. The training was conducted online due to covid-19, covered the fundamentals of M & E as well as sharing of lessons learnt through case studies from ongoing and completed projects.

**Baseline Survey:** The baseline survey will be undertaken using external consultancy support. The survey will benchmark the project targets and gather information to support internal implementation monitoring. Specifically, the study will: (i) Establish a status profile which will guide in setting realistic implementation targets and in identifying focused technical interventions (ii) Define the baseline situation which will serve as a benchmark for measuring the achievements of the relevant project results (iii) Guide the external project supervision and evaluation systems and Generate information for updating the project log frame.

The procurement of the consultant to undertake the survey has considerably delayed mainly due to non- responsiveness at the initial pre-qualification stage that returned only one successful firm. The process has since been re-started and the project needs to expedite the baseline and ensure its completion as soon as possible to allow for effective monitoring and evaluation to commence.

**M & E Plan:** The project needs to develop an M&E plan to guide M&E processes in line with the provisions of the M&E Manual and aligned to the project logframe and theory of change. The process has commenced using internal capacity, that has to date elaborated the draft operational log frame to be used to facilitate output monitoring of the direct project

targets. In addition, the project has developed and distributed beneficiary identification forms in liaison and collaboration with relevant departments in the Ministry of Agriculture. More forms to be used in profiling of beneficiaries are being developed and are expected to be used in collecting more specific information to facilitate design of appropriate cluster development interventions. The project is urged to expedite the development of these tools and to ensure that they are comprehensive enough to track any baseline information that can also be used for monitoring purposes.

**MIS:** The project has commenced the development of an MIS that will be used in day-to-day monitoring of project interventions, using in-house capacity. The procurement of the server and tablets to be used during the operationalisation of the MIS has commenced. The database needs to be set up as soon as possible to ensure that systematic monitoring of project activities and outputs is undertaken and to enhance the efficiency of the M&E system of FINCLUDE. Thus, the project is encouraged to expedite the related procurement processes, finalise the design of the database and carry out the relevant training to project staff.

**Logframe:** The process for organisation of the project ORMS Logframe as per IFAD requirements has commenced. The project should ensure that the ORMS logframe is completed, updated with the baseline results, uploaded into the system and monitoring commences.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Expedite development of data collection tools</b> Expedite development of data collection tools to be used in the profiling of beneficiaries and ensure they are rolled out immediately	KM and M&E Specialist	03/2021
<b>Expedite development of the M &amp; E Plan</b> Expedite development of the M & E Plan to guide M & E processes in the project	KM and M&E specialist	04/2021
<b>Expedite baseline survey</b> Expedite procurement of consultant to carry out a baseline survey and ensure the survey is completed by June 2021	KM and M&WE specialist	06/2021
<b>Expedite development of the M &amp; E Database</b> Expedite development of the M & E Database Expedite design and set up of the Monitoring database to facilitate efficient data collection, management and analysis as well as day to day monitoring of the project	MIS specialist	06/2021
<b>Capacitate Staff on Use of Tablets for Real-time Collection of Routine Monitoring Data on Activities of Beneficiaries</b> Capacitate Staff on Use of Tablets for Real-time Collection of Routine Monitoring Data on Activities of Beneficiaries Capacitate PMU staff on the use of Android tablets to collect and analyse routine monitoring data on activities and performance of beneficiaries (farmer diaries) as part of the MIS	PMU	

**Social, Environment, and Climate Standards requirements**

**Rating: 4**

#### Justification of rating

FINCLUDE is a category B project with a moderate climate risk classification. The SECAP note identifies some potential positive and negative impacts and provides some mitigation actions. As the project begins to accelerate implementation, there is need for the PMU and the IPs to be trained on IFAD's SECAP procedures. The project should fast-track the recruitment of the Coordinator of Component 3, who will also oversee the safeguards aspects of the project. There is need to embed the safeguards budgetary requirements into the project activities, in order to ensure that the required assessments or studies are well financed. The project is encouraged to work closely with the EEA for guidance on compliance with national environmental laws and required environmental assessments.

#### SECAP Review



At design, FINCLUDE was assigned a category B environmental and social status and a moderate climate risk classification. The SECAP review note identified some potential positive and negative impacts. It was expected that the negative impacts were moderate and easily mitigated and/or remedied through mitigation actions. The proposed mitigation actions included: GAPs; provision of climate and weather information; and provision of climate finance to enhance mitigation and adaptation actions by small holders and value chain actors. Other proposed measures included waste management, efficient water management and sustainable land use and grazing practices.

The project is commended for the efforts it has made in beginning to conceptualise the required environment and climate mainstreaming interventions and anticipating these activities in the 2021/2022 AWPB. Some of the anticipated activities include sustainable waste management, sustainable use of agrochemicals, improved water efficiency, water harvesting, promotion of CA, small scale irrigation, sustainable land and rangelands management, climate insurance, climate and weather information system, and climate financing. The mission and the project agreed on the need to train staff of the project and its implementing partners on IFAD's SECAP procedures. The training will be offered by IFAD in the first quarter of 2021. It was also agreed that the project will work closely with the Eswatini Environmental Agency (EEA) for guidance on compliance with national environmental laws and required environmental assessments. There is need for the project to prepare a brief of the key project interventions and sub-projects and have this discussed with the EEA for guidance on compliance issues with regards to national environmental laws. The national laws and IFAD's SECAP procedures will complement each other, with the more stringent procedures applied in situations where either of procedures are less stringent.

The project indicated the challenges it was having with regards to the lack of a safeguards activities/studies' budget in the cost tabs. It was agreed that the project assigns safeguards related costs to project activities and begins working towards addressing safeguards issues in a systematic manner and having these embedded in the AWPB and implementation planning. The project is encouraged to fast track the recruitment of the Environment and Climate Specialist, who will also oversee the safeguards aspects of the project. There is need for the project to learn and seek synergies with SMLP, which has been complying with IFAD's and EEA's safeguards procedures, especially in chiefdoms where both projects will be working on relatively similar interventions.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Ensure that safeguards related costs are budgeted for within the project activities budget lines</b>	PMU	01/2021
<b>Provide SECAP training for the PMU and project implementing partners</b>	PMU	04/2021
<b>Submit a brief of project interventions and sub-projects to EEA and work closely with EEA for guidance on national environmental laws and compliance requirements</b>	PMU	05/2021

#### **d. Financial Management & Execution**

**Acceptable Disbursement Rate**

**Rating: 4.0**

##### **Justification of rating**

Automated rating based on IFAD disbursement data

##### **Main issues**

The project is in its 2<sup>nd</sup> year of implementation and the disbursement rate on the IFAD loan is 22%. Having disbursed US\$2million out of a total loan allocation of USD8,950

As at 27<sup>th</sup> November 2020, total expenditures of USD0.656 million have incurred from all financing sources, equal to 2% of total approved programme cost of USD33.2million. The project design anticipated to receive climate financing from GEF of USD5.07 million but this did not materialize.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Submission of WA to IFAD</b>  PMU to prepare and submit the first withdrawal application to IFAD having spent 30% of the Authorised Allocation.	CFO	02/2021

### Fiduciary aspects

#### Quality of Financial Management

**Rating: 4**

#### Justification of rating

FINCLUDE has set up an accounting software for processing the project transactions with comprehensive chart of accounts, and it is operating a multicurrency, which will facilitate the project to produce the required reports and the have fully qualified and experienced personnel

#### Main issues

1. In Staffing, in as much as we have qualified personnel the positions of the Project Director and Component 2 Coordinator are vacant and have been filled on interim basis, recruitment is ongoing for these positions.
2. FINCLUDE uses Sun Accounting software, however standard financial reports are done on Ms Excel because the financial reporting system in Sun Accounting Software is yet to be configured by the system developer based in South Africa. This was not done at the commencement of the project because of the closure of borders due to COVID –19 which preventing travel for the project staff.
3. FINCLUDE beneficiary non-cash contribution allocation amounts to US\$13.8 million. A small portion of USD32k under component 1 and is in form of labour /material contribution for public works for the sector development facility. The large part of this is in form of the loans from FIs to farmers /MSMEs leveraged on the FIRM. This is similar arrangement on the allocation for enterprises amounting to USD7.5. The project is yet to submit the first half yearly progress reports to IFAD which include interim financial statements.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Chart of accounts to reflect the beneficiary contributions</b>  Code the chart of accounts to track beneficiary contributions Include appropriate codes in the accounting software to track beneficiary and enterprises non-cash contributions under Sector Development Facility and the FIRM	CFO	03/2021
<b>Automation of the financial reports</b>  Automation of financial reports from accounting software Develop the financial reporting templates for automatic generation by the accounting software, including the SOEs for WA applications.	CFO	03/2021
<b>Installation of a server after procurment</b>  Finalise procurement and installation of server to speed up evaluation and award of contract for procurement and installation of a new server and computer equipment to create capacity to test the Accounting Software for FINCLUDE	Finance and Procurement Staff	03/2021
<b>Upgraded of financial transactions to SUN System</b>  Transfer of financial information to SUN Systems Migrate information to SUN Systems and do the upgrades	Finance & Procurement Staff	04/2021

#### Quality and Timeliness of Audit

**Rating:**

#### Counterparts Funds

**Rating: 5**

#### Justification of rating

Provision of the counterpart funds has been sufficient

### **Main issues**

The Government of the Kingdom of Eswatini has provided counterpart financing of USD661,000 being 22% of the appraisal allocation, this was provided in a timely manner and it is towards FINCLUDE salaries and tax component of project expenditure.

#### **Compliance with Loan Covenants**

**Rating: 5**

#### **Justification of rating**

As per Appendix 3 table of the report, FINCLUDE complies with the loan covenants, except for timely submission of progress report to IFAD.

#### **Procurement**

#### **Procurement**

**Rating: 4**

#### **Justification of rating**

The implementation is satisfactory, however could be further enhanced to ensure smooth and timely implementation of the project. The procurement plan reflects most of the activities and is consistent with the AWPB and the processes are in line with IFAD procedures and the national regulations

#### **Procurement Review**

Procurement Planning Process: The listed goods and consulting services are consistent with the AWPB activities however, a reverse analysis reveals that the number of activities has not been reported on the PP. Subcomponent 2.2: Improved Capacity of FI to Deliver Loans/ Loans Increased Through Partnerships with FIs and Subcomponent 2.3: Savings Promotion and Remittances; and subcomponent 1.3: Value Chain Linkages Strengthened. The mission notes that all actual implementation dates of concluded activities are missing. The mission underlines that picking packing on existing contacts or processes with CFI are subject to IFAD's review and clearance.

Processes and Procedures from Prequalification to Bidding: The nature of FINCLUDE activities is predominantly soft and relates to training activities mainly. The adjoining activities cover conference facilities; accommodation and ticketing. Given this nature, the following patterns were depicted: 1- Most of the activities under the component goods are iterative in their nature and likely to be repeated in the following execution years of the project; All the PP ongoing activities miss actual dates given their iterative nature; Activities of similar nature are being undertaken separately and their process launched repetitively on a non-competitive modality which reflects a practice of procurement splitting.

Process and Procedures for Evaluation and Contract Award: Most of the procurement activities are undertaken on shopping modalities which process appears to be adequate with the national procedures and IFAD requirements. The review of the samples reveals discrepancies in the evaluation and the mix of two evaluation modalities in a same process, which underlines a risk of gold plating. Strategic processes such as the baseline study will require closer monitoring and review from IFAD's side. On the similar perspective; the Mission notes as well the evaluation panel includes a relatively large number of evaluators (6), whom profiles are not necessarily required in shopping process of uncomplex nature. Processes under Single Sourcing are not substantiated with an analysis against specific criteria to sustain value for money either from the technical or financial side.

Contract Management and Administration: Contracts appear to be adequately managed and payment effected within a relatively short timeline (less than 30 days). Contract managers are designated for each contract within CFI and contracts are in line with the schedule proposed in the respective solicitation document. Reception of goods is monitored by procurement and payment effected following confirmation of reception. No weaknesses were identified (sample-based analysis) in contract administration and management.

FINCLUDE is rolled out on ICP and contracts are reported on it.

The mission stressed the need to use framework agreement for reiterative processes to enhance transparency.

Record Retention and monitoring/Given the remote nature of the mission, a physical review of the files was not possible. The mission requested the projects to submit a signed self-assessment checklist. The mission is satisfied with the relatively quick retrieval of the sample.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Contract management</b> <ul style="list-style-type: none"> <li>• Package all iterative processes under one process</li> <li>• Contract for goods to be issued as PO</li> <li>• Ensure special conditions are included in the contracts</li> </ul>	PMU	04/2020
<b>Procurement Plan</b> <ul style="list-style-type: none"> <li>• Revise the PP in line with the changes agreed on during the mission and submit for IFAD NO (motorbikes and server)</li> <li>• Ensure consistency between AWBP and PP by reporting all the activities scheduled</li> <li>• Remove all the processes related to the operational cost (fuel, internet, fax charges, mobile charges etc...)</li> <li>• Piggy backing on existing processes are subject to IFAD review and assessment</li> </ul>	PMU	12/2020
<b>Process and Procedures for Evaluation and Contract Award</b> <ul style="list-style-type: none"> <li>• Use of a single evaluation method (Goods are to be evaluated on a P/F modality)</li> <li>• NS are not subject to standstill period; however this should be observed for competitive processes</li> </ul>	PMU	12/2020
<b>Processes and Procedures from Prequalification to Bidding</b> <ul style="list-style-type: none"> <li>• Establish framework agreement for accommodation, travel and facilities (would require an SOP in place for proper contract management)</li> <li>• Use the appropriate GTC per nature of the subject matter</li> </ul>	PMU	04/2021

#### e. Key SIS Indicators

Likelihood of Achieving the Development Objective

Rating: 4.0

Assessment of the Overall Implementation Performance

Rating: 4.12

#### F. Agreed Actions

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Overview and Project Progress</b>		
<b>Increase the technical capacity of frontline government officers supporting beneficiary engagement, sensitization, selection and capacity development for Component 1 (Business Development)</b>	MoA & MTAD	06/2020
<b>Provide government technical officers with resources to improve mobility</b>	PMU	01/2021
<b>Project needs to identify demand for financial products (relatively mature beneficiary groups) and engage in pilot collaborations with FIs to identify and iron out the edges</b>	CFI	01/2021

<b>Demand Supply database</b>  Demand Supply database (demand side). Set up a questionnaire to identify the financing needs of beneficiaries. Start interviewing beneficiaries using the questionnaire. Adapt and fine-tune the questionnaire. Start using the questionnaire at all interactions with new potential al actual beneficiaries	CFI	01/2021
<b>Start discussing with IT service providers to establish the architecture, hard and software requirements and cost of the credit history and demand/supply database</b>	CFI	01/2021
<b>Visit some SCGs and see how they can support the beneficiaries. Discover a benefit they can gain by cooperating with FINCLUDE and lure them in</b>	CFI	01/2021
<b>Establishing and formalize business relationships between FINCLUDE and the Government for the leasing of the cold-chain facilities by project beneficiaries</b>	PMU	02/2021
<b>Demand Supply database (supply-side). Start negotiating loans (real or mock) with FIs (all types) to get a clear understanding of the intricacies (difficulties) that the beneficiaries are and will be facing</b>	CFI	02/2021
<b>Decide on strategy on how to engage with SCGs institutionally to the benefit of the project</b>	CFI	02/2021
<b>Seek external support to understand better the principles of financial graduation (initial stages) model. Continue this process. This is not a study</b>	CFI	02/2021
<b>Engage with Microprojects to see where they are standing in their progress towards becoming an MFI. Find out if there are other parties interested in entering this sector. Finance a study only if there are clear indications of commitment and success</b>	CFI	03/2021
<b>Assess the feasibility and commercial viability of assisting FINCLUDE beneficiaries</b>  Assess the feasibility and commercial viability of assisting FINCLUDE beneficiaries to lease cold chain facilities owned by the Government, and developing appropriate business models for vegetable pack-houses and related facilities from a VC perspective supporting a number of VCs established in the communities	PMU	06/2021
<b>Engage with Microprojects to see where they are standing in their progress towards becoming an MFI. Find out if there are other parties interested in entering this sector. Finance a study only if there are clear indications of commitment and success</b>	CFI	12/2021
<b>Development Effectiveness</b>		
<b>Develop a results-based focus to implementation in order to accelerate progress towards development effectiveness (concrete outputs by the time of the next supervision mission)</b>	PMU	12/2020

<b>Ensure that youth data is analysed and presented being disaggregated by sex and age group</b>	PMU	12/2020
<b>Complete collection of targeting data using the Beneficiary Identification Form in the first 40 communities where sensitisation has been completed</b>	Inclusion Specialist / Cluster Development Staff	01/2021
<b>Train Community Development Committees on FINCLUDE Targeting Strategy</b>	Inclusion Specialist / Cluster Development Staff	01/2021
<b>Fast track the procurement process for the Social Mentoring Expert.</b>	PMU	01/2021
<b>Define a clear impact pathway for addressing the identified social risk of malnutrition associated with lack of production of food for</b>  Define a clear impact pathway for addressing the identified social risk of malnutrition associated with lack of production of food for consumption by participating households and an increase in food prices	PMU	01/2021
<b>Integrate nutrition indicators in the baseline survey</b>	PMU	01/2021
<b>Consult young people (18-35 years)) on: a) most effective ways to reach them with information on FINCLUDE; b) types of projects they are keen to participate in; and c) the support they will need in order to participate viably and sustainably</b>	Inclusion Specialist / Cluster Development Staff	02/2021
<b>Update FINCLUDE Youth and Gender Strategy to incorporate above findings</b>	Inclusion Specialist	03/2021
<b>Beneficiary profiling (analysis of capacity and scale) (first 40 communities)</b>	Inclusion Specialist / Cluster Development Staff	03/2021
<b>Expedite conclusion of the youth communication strategy</b>	PMU	03/2021
<b>Develop specific strategies within the Youth Engagement Strategy for attracting and retaining the participation of the younger youth in project interventions</b>	PMU	03/2021
<b>Fast track the recruitment of a full time Coordinator for Component 3</b>	PMU	03/2021
<b>Develop a climate resilience and climate financing action plan for the project to inform the systematic flow of interventions, loan products, implementation arrangements, targets, milestones, and responsibilities</b>	PMU	03/2021
<b>Roll-Out Business Skills Training Clusters (farm business diaries customised to enterprise and local context)</b>	Cluster Development Staff	05/2021
<b>Deliver Group Dynamics and Management Training to Clusters1</b>	Cluster Development Staff	06/2021

<b>Mobilising clusters and establishment of baselines</b>	Cluster Development stuff	09/2021
<b>Sustainability and Scaling up</b>		
<b>Early and continuing engagement in national policy work regarding improvement of agricultural marketing policies and financial inclusion</b>	PMU	12/2020
<b>Follow-up ESNAU to finalise secondment of staff</b>	ESNAU/PMU	01/2021
<b>SMLP and FINCLUDE to work out a modality on how in concrete terms SMLP beneficiaries could receive complementary support under Component 2 activities of FINCLUDE</b>	PMU/SMLP	02/2021
<b>Strengthen private sector linkages and crowding-in private investments which benefit the project target group</b>	PMU	
<b>Project Management</b>		
<b>Ensure Output based AWPB</b>	Finance and M&E stuff	12/2020
<b>Ensure that safeguards related costs are budgeted for within the project activities budget lines</b>	PMU	01/2021
<b>Expedite development of data collection tools</b> Expedite development of data collection tools to be used in the profiling of beneficiaries and ensure they are rolled out immediately	KM and M&E Specialist	03/2021
<b>Expedite development of the M &amp; E Plan</b> Expedite development of the M & E Plan to guide M & E processes in the project	KM and M&E specialist	04/2021
<b>Provide SECAP training for the PMU and project implementing partners</b>	PMU	04/2021
<b>Submit a brief of project interventions and sub-projects to EEA and work closely with EEA for guidance on national environmental laws and compliance requirements</b>	PMU	05/2021
<b>Expedite baseline survey</b> Expedite procurement of consultant to carry out a baseline survey and ensure the survey is completed by June 2021	KM and M&WE specialist	06/2021
<b>Expedite development of the M &amp; E Database</b> Expedite development of the M & E Database Expedite design and set up of the Monitoring database to facilitate efficient data collection, management and analysis as well as day to day monitoring of the project	MIS specialist	06/2021
<b>Make use of the developed systems and tools to systematically analyse, document, share lessons from implementation</b>	PMU	

<b>Conduct regular reviews of implementation, drawing on M&amp;E data and lessons learned to make necessary adjustments to improve project performance</b>	PMU	
<b>Capacitate Staff on Use of Tablets for Real-time Collection of Routine Monitoring Data on Activities of Beneficiaries</b>  Capacitate Staff on Use of Tablets for Real-time Collection of Routine Monitoring Data on Activities of Beneficiaries Capacitate PMU staff on the use of Android tablets to collect and analyse routine monitoring data on activities and performance of beneficiaries (farmer diaries) as part of the MIS	PMU	
<b>Financial Management &amp; Execution</b>		
<b>Contract management</b>  <ul style="list-style-type: none"> <li>• Package all iterative processes under one process</li> <li>• Contract for goods to be issued as PO</li> <li>• Ensure special conditions are included in the contracts</li> </ul>	PMU	04/2020
<b>Procurement Plan</b>  <ul style="list-style-type: none"> <li>• Revise the PP in line with the changes agreed on during the mission and submit for IFAD NO (motorbikes and server)</li> <li>• Ensure consistency between AWBP and PP by reporting all the activities scheduled</li> <li>• Remove all the processes related to the operational cost (fuel, internet, fax charges, mobile charges etc...)</li> <li>• Piggy backing on existing processes are subject to IFAD review and assessment</li> </ul>	PMU	12/2020
<b>Process and Procedures for Evaluation and Contract Award</b>  <ul style="list-style-type: none"> <li>• Use of a single evaluation method (Goods are to be evaluated on a P/F modality)</li> <li>• NS are not subject to standstill period; however this should be observed for competitive processes</li> </ul>	PMU	12/2020
<b>Submission of WA to IFAD</b>  PMU to prepare and submit the first withdrawal application to IFAD having spent 30% of the Authorised Allocation.	CFO	02/2021
<b>Chart of accounts to reflect the beneficiary contributions</b>  Code the chart of accounts to track beneficiary contributions Include appropriate codes in the accounting software to track beneficiary and enterprises non-cash contributions under Sector Development Facility and the FIRM	CFO	03/2021
<b>Automation of the financial reports</b>  Automation of financial reports from accounting software Develop the financial reporting templates for automatic generation by the accounting software, including the SOEs for WA applications.	CFO	03/2021



<b>Installation of a server after procurment</b>  Finalise procurement and installation of server to speed up evaluation and award of contract for procurement and installation of a new server and computer equipment to create capacity to test the Accounting Software for FINCLUDE	Finance and Procurement Staff	03/2021
<b>Processes and Procedures from Prequalification to Bidding</b>  <ul style="list-style-type: none"> <li>• Establish framework agreement for accommodation, travel and facilities (would require an SOP in place for proper contract management)</li> <li>• Use the appropriate GTC per nature of the subject matter</li> </ul>	PMU	04/2021
<b>Upgraded of financial transactions to SUN System</b>  Transfer of financial information to SUN Systems Migrate information to SUN Systems and do the upgrades	Finance & Procurement Staff	04/2021

## **Eswatini**

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### **Financial Inclusion and Cluster Development Project Supervision Report**

#### **Logical Framework**

Mission Dates: 01/12/2020-09/12/2020  
Document Date: 11/01/2021  
Project No. 2000001804  
Report No. 5633-SZ

East and Southern Africa Division  
Programme Management Department



## Financial Inclusion and Cluster Development Project

### Logical Framework

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2020)	Cumulative Result (2020)	Cumulative Result % (2020)	Source	Frequency	Responsibility	
Outreach	1.b Estimated corresponding total number of households members										
	Household members					0					
	1.a Corresponding number of households reached										
	Women-headed households					0					
	Non-women-headed households					0					
	Households					0					
	1 Persons receiving services promoted or supported by the project										
	Females		3 500	9 250		0	0				
	Males					0					
	Young		4 200	11 100		0	0				
	Not Young					0					
	Indigenous people					0					
	Non-Indigenous people					0					
	Total number of persons receiving services	0	7 000	18 500		0	0				

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2020)	Cumulative Result (2020)	Cumulative Result % (2020)	Source	Frequency	Responsibility	
<b>Project Goal</b> Improvement in prosperity and resilience of poor and vulnerable Swazi smallholders and micro-entrepreneurs	Number of individual entrepreneurs and MSMEs directly benefitting from a full range of FINCLUDE support (“full beneficiaries”) whose profits increase (real net income) from farm or non-farm enterprise by >50%							Base/Mid/ End Survey Annual Cluster Tracking Surveys (ACTS)	Baseline, Mid term, End line, Annual	PMU	Assumes continued social, political and economic stability in the country and Southern African Customer Union region
	Number of individuals/MSMEs	0	2 500	8 500							
	Number of additional individual entrepreneurs and MSMEs who take and duly repay loans under the FIRM without receiving other FINCLUDE support (“finance only” beneficiaries)							FIRM reports/Credit History Database	Annual	CBS, PMU	
	Number of additional individuals/MSMEs	0	1 700	10 000							
	Individual farm entrepreneurs and MSME “full” beneficiaries report a >50% increase in resilience score							Base/Mid/ End-line Survey	Baseline, Mid term, End-line	PMU	
	Number of individual farm entrepreneurs/MSMSs	0		5 600							
<b>Development Objective</b> To increase returns from sustainable farm and non-farm enterprise for rural people, including poor and youth, through resilient links to markets and access to appropriate financial services	Number of beneficiaries' achieving annual return on labour in farm or non-farm enterprises of >120% of unskilled wage rate							Base/Mid/ End line Survey, ACTS	Baseline, Mid term, End-line, Annual	PMU	Assumes 80% of ‘full’ beneficiaries achieve this level of income. At design, unskilled wage rates are E60/day (annualized x 250 days = E15000) => target min. net income ~E18000 p.a. per worker.
	Number of people	0	2 000	6 800							
	Males										
	Females										
	Young										
	Not Young										

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2020)	Cumulative Result (2020)	Cumulative Result % (2020)	Source	Frequency	Responsibility	
<b>Outcome</b> Outcome 1: Profits to farm and non-farm micro enterprises and MSMEs from inclusive clusters increased for multiple higher value products	Aggregate value of priority products and services sold by farm/non-farm micro-enterprises in target clusters in real terms							ACTS	Annual	PMU	Baseline sales data in each commodity cluster to be gathered during start-up of cluster activities. Assumes that there are no prolonged collapses in export/local demand or prices for agricultural products.
	% increase	0	10	40							
	1.2.2 Households reporting adoption of new/improved inputs, technologies or practices							Base/Mid/ End line Survey, ACTS	Base/Mid/ End line; Annual	PMU	
	Households	0	40	80							
<b>Outcome</b> Outcome 2: Private investment increased in priority clusters and commodity sectors from smallholders and MSMEs	Total private investment in priority clusters and commodity sectors by individuals, households & MSMEs secured under the FIRM							FIRM reports, Credit history database, FI Loan data	Annual	CBS, PMU, Partner FIs	Sufficient numbers of FIs continue to show commercial commitment to expand rural lending portfolio to smallholder and MSME sectors. Positive framework conditions for investment into agriculture and rural MSMEs.
	Cumulative USD	0	8 000	25 000							
	Participating individuals with increased business skills levels							Pre-/post BS training assessment	Annual	PMU	
	Number of people	0	2 000	6 800							
	Males										
	Females										
	Young										
	Not Young										
	Continued increased financing by Financial Institutions (FIs) to small farmers and rural MSME after project							CFI industry tracking reports	End of project / Post-project	CFI under its core mandate	
	Value of loans	0									
<b>Output</b>	1.1.5 Persons in rural areas accessing financial services							ACTS, Partner FI reports	Annual	PMU, Partner FIs	Sufficient numbers of FIs continue to show commercial commitment to expand rural savings portfolio.
	Total number of accesses to financial services					0					

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2020)	Cumulative Result (2020)	Cumulative Result % (2020)	Source	Frequency	Responsibility	
	Women in rural areas accessing financial services - savings					0					
	Young people in rural areas accessing financial services - savings					0					
	Not young people in rural areas accessing financial services - savings					0					
	Men in rural areas accessing financial services - savings					0					
	Men in rural areas accessing financial services - credit					0					
	Women in rural areas accessing financial services - credit					0					
	Young people in rural areas accessing financial services - credit					0					
	Not young people in rural areas accessing financial services - credit					0					
	Total persons accessing financial services - savings	0	2 000	6 800		0	0				

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2020)	Cumulative Result (2020)	Cumulative Result % (2020)	Source	Frequency	Responsibility	
	Total persons accessing financial services - credit					0					
	Total persons accessing financial services - insurance					0					
	Men in rural areas accessing financial services - insurance					0					
	Women in rural areas accessing financial services - insurance					0					
	Young people in rural areas accessing financial services - insurance					0					
	Not young people in rural areas accessing financial services - insurance					0					



Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2020)	Cumulative Result (2020)	Cumulative Result % (2020)	Source	Frequency	Responsibility	
<b>Outcome</b> Outcome 3: Substantially increased national capacity to deliver inclusive cluster development and financial inclusion initiatives	Percentage of clusters in which participants (producers /MSMEs) accessed unsubsidized technical services from commercial suppliers in last 12 months.							ACTS	Annual	PMU	External socio-political factors do not disrupt MCM processes. Sufficient interest from Private sector in MCMs in all commodities. Development of commercial services and support markets is not undermined by the provision of free or heavily subsidized services by others. Best practices must be documented in KM products by FINCLUDE. Must be substantiated by evidence of activities from adopting agencies, including evidence of change in practice from before. Assumes that KM products must be highly satisfactory if SC members and others are likely to be interested to replicate best practices in their own institutions.
	% of clusters	0	60	100							
	Number of other development actors and government agencies applying one or more best practices of FINCLUDE in their own activities							KM products published; Feedback reports from organisations replicating practices; Budget / expenditure data from partners on replication activities	Annual	PMU	
	Number of organizations	0	2	4							
	Knowledge management outputs rated as highly satisfactory by steering committee (SC) members							SC KM feedback survey	Annual	PMU	
	% of SC members	0	80	80							

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2020)	Cumulative Result (2020)	Cumulative Result % (2020)	Source	Frequency	Responsibility	
Output	Policy 2 Functioning multi-stakeholder platforms supported							Project reports; MCM surveys	Annual	PMU	External socio-political factors do not disrupt MCM processes. Sufficient interest from Private sector in MCMs in all commodities.
	Number					0					
Outcome Outcome 4: Climate resilience and climate finance mainstreamed into rural finance operations	Participating individuals using climate information for decision-making							Base/Mid/ End line Survey; ACTS	Base/Mid/End-line; Annual	PMU	Subject to securing financing to fully implement Component 3 – Climate Resilient Decision Making and Investment
	Number of people		2 800	14 800							
	Males										
	Females										
	Young										
	Not Young										
Output	No. of individuals trained in business and financial skills							Training records	Annual	PMU	100% of full beneficiaries (individuals trained in business/financial skills); 80% of full beneficiaries (HHs graduating from social mentoring intervention)
	Females										
	Males										
	Young										
	Not Young										
	Number of people	0	5 000	8 500							
	No. of households graduating from social mentoring intervention							Mentoring records	Annual	PMU	
	Households	0	2 500	6 800							
	No. of producer groups mobilized to participate in clusters							ACTS	Annual	PMU	
	Number of groups	0	175	175							

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2020)	Cumulative Result (2020)	Cumulative Result % (2020)	Source	Frequency	Responsibility	
	No. of best practices in delivering positive economic and social benefits to poor young women (<24 yrs) piloted, documented and scaled-up							KM products; ACTS	Annual	PMU	
	Number of best practices	0	4	2							
<b>Output</b> Output subject to securing financing to fully implement Component 3: Climate Resilient Decision Making and Investment	Climate finance mobilized at national level for small farmers and rural MSME across the country during project period							Climate Finance Tracker	Annual	PMU	Commitment from relevant national authorities to apply for and secure additional climate financing
	Value of all financial products	0	10 000	50 000							
<b>Outcome</b> Outcome subject to securing financing to fully implement Component 3: Climate Resilient Decision Making and Investment	3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices							Training records	Annual	PMU	All farm 'full' beneficiaries.
	Males										
	Females										
	Young										
	Not Young										
	Households	0	3 500	7 000							

## **Eswatini**

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### **Financial Inclusion and Cluster Development Project Supervision Report**

#### **Appendix 1: Financial: actual financial performance; by financier by component and disbursements by category**

Mission Dates: 01/12/2020-09/12/2020  
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East and Southern Africa Division  
Programme Management Department



## Appendix 1: Financial: actual financial performance by financier; by component and disbursements by category

**Table 2A: Financial performance by financier**

Financier	Appraisal (USD'000)	Disbursements (USD'000)	Percentage Disbursed
IFAD Loan	8,950.0	2,000	22.35%
Government of the Kingdom of Eswatini	2,944.0	661	22.46%
Co - Financiers/Beneficiaries	13,831.0	-	0.00%
Co - Financiers/Enterprises	7,462.0	-	0.00%
<b>Total *</b>	<b>33,187</b>	<b>2,661</b>	<b>8.02%</b>

\*Excludes IFAD FFR grant of USD302k being implemented by the FinMark Trust

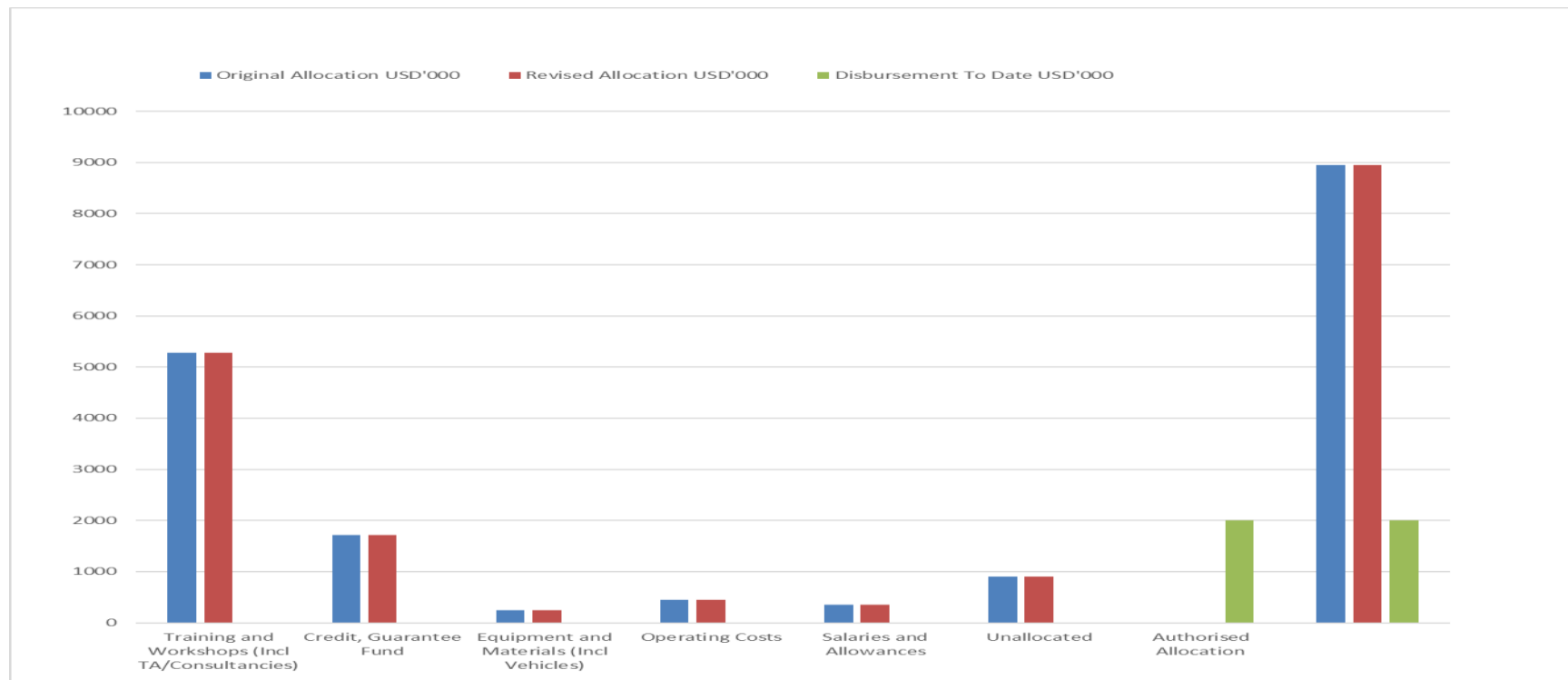
**Table 2B: Financial performance by financier by component (USD '000)**

Components	Govt of Eswatini			IFAD Loan			Beneficiaries			Enterprises			Total		
	Appr.	Actual	%	Appr.	Actual	%	Appr.	Actual	%	Appr.	Actual	%	Appr.	Actual	%
1.0 Inclusive Cluster Development	758.36	29.51	4%	5,356.00	278.89	5%	32	-	0.00%	32	-	0%	6,178	308	5%
2.0 Expanding Supply of Rural Financial Services	66.46	0.27	0%	2,497.00	17.85	1%	13,800	-	0.00%	7,431	-	0%	23,794	18	0%
3.0 Programme Management, Coordination and Management Information Systems	2,118.85	55.31	3%	1,097.00	274.56	25%	-	-	0.00%	-	-	0%	3,216	330	10%
<b>Total Project Costs</b>	<b>2,943.67</b>	<b>85.09</b>	<b>3%</b>	<b>8,950.00</b>	<b>571.30</b>	<b>6%</b>	<b>13,831</b>	<b>-</b>	<b>0.00%</b>	<b>7,462</b>	<b>-</b>	<b>0%</b>	<b>33,187</b>	<b>656</b>	<b>2%</b>

Table 2C: IFAD loan disbursements (USD, as at 30<sup>th</sup> November 2020)

Category Description		Original Allocation	Revised Allocation	Disbursement	W / A Pending	Per Cent Disbursed
300_TRA: 1	Training and Workshops (Incl TA/Consultancies)	5,280	5,280	-	-	0.00%
600_GCF: 2	Credit, Guarantee Fund	1,720	1,720	-	-	0.00%
100_VES: 3	Equipment and Materials (Incl Vehicles)	250	250	-	-	0.00%
510_OCT: 4	Operating Costs	450	450	-	-	0.00%
410_SAT: 5	Salaries and Allowances	350	350	-	-	0.00%
999_###: 0	Unallocated	900	900	-	-	0.00%
	Authorised Allocation	-	-	2,000		0.00%
<b>Total</b>		<b>8,950.00</b>	<b>8,950.00</b>	<b>2,000.00</b>	<b>-</b>	<b>22.35%</b>

Figure 1: IFAD loan/grant disbursement, comparisons between original and revised allocations and actual disbursement (USD'000)





### Appendix 3: Compliance with legal covenants: status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/ Remarks
<b>Section B.6</b>	Maintaining a designated account denominated in US\$ at the Central Bank of Eswatini	Continuous	Complied
<b>Section B.7</b>	Maintaining a project account to receive funds from the DA for daily operations	Continuous	Complied
<b>Section B8</b>	Maintaining counterpart operating account to receive and maintain counterpart funds	Continuous	Complied
<b>Section B9</b>	Counterpart financing by borrower of US2,900,000	Continuous	Complied
<b>Section E.2 (a)</b>	Obtain IFAD's no objection to the PIM	Prior to first Disbursement	Complied
<b>Section E.2 (b)</b>	Establish PMU and recruit key project staff	Prior to first Disbursement	Complied. IFAD concurrence obtained for the interim position of PD and Component 2 Manager
<b>Section E.2 (c)</b>	Establish an accounting system acceptable to IFAD	Prior to first Disbursement	Complied. IFAD granted 6 months waiver on use of Sun Accounting Software requiring financial report configuration
<b>Schedule 3 (b)</b>	Project to accurately record and report on beneficiary contribution	Continuous	To be monitored during implementation
<b>GC Section 7.01.b.ii</b>	AWPB to be submitted to IFAD for its review and no objection	31st January each year	To be monitored during implementation
<b>GC Section 7.05</b>	Procurement of goods, works and services carried out in accordance with the Borrower procurement regulations if consistent with IFAD procurement regulations	Continuous	Complied
<b>GC Section 7.10</b>	Insurance of all project goods and buildings financed from the loan proceeds to be consistent with sound commercial practice	Continuous	Complied
<b>GC Section 8.3 (a)</b>	Progress reports including interim financial reports to be submitted to IFAD on a half yearly basis within 30 days of period end	Half-yearly -30 March and 30 September	Not complied
<b>GC Section 8.3 (b)</b>	A Mid-Term Review (MTR) to be carried out jointly by the Borrower and IFAD.	FY2022/23	Not yet due

<b>GC Section 9.02</b>	Submit to IFAD unaudited financial statements for each Fiscal Year within four (4) months of the end of each Fiscal Year.	31 July, each year	To be monitored during implementation
<b>GC Section 9.03 (a)</b>	have external audit performed on the Project accounts each fiscal year	31 March each year	To be monitored during implementation
<b>GC Section 9.03 (b)</b>	Audit report submitted to IFAD.	30 September, each year	To be monitored during implementation
<b>GC Section 11.01 (a)</b>	Project to be exempted from all import duties, excise taxes and value added tax (VAT) on project expenditures	Continuous	Complied



## **Eswatini**

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### **Financial Inclusion and Cluster Development Project Supervision Report**

#### **Appendix 2: Physical progress measured against AWP&B**

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	Indicator	Unit	AWP& B 2020	Actual	%	Appraisal Target	Cumulative Actual	% Appraisal	Remarks/Comments
<b>Component 1:</b>	<b>Inclusive cluster development</b>								
<b>Subcomponent 1.1:</b>	<b>Cluster brokering and investment facilitation</b>								
<b>Output 1.1.1: Cluster selection and verification</b>	<b>Inclusive and viable clusters established</b>	<b>#clusters</b>	<b>48</b>	<b>0</b>	<b>0%</b>	<b>740</b>	<b>0</b>	<b>0%</b>	
<b>Activities</b>									
1.1.1.1	Conduct inception workshops	# workshops	40	39	98%				Inception workshops have been carried out to introduce the project to the communities
1.1.1.2	Conduct training and orientation of the Local selection committees	#committees	48	0	0%				48 committees have been identified in readiness for the training expected to take place in January 2021
1.1.1.3	Identify and select beneficiaries to participate in clusters	#beneficiaries	1200	0	0%				Beneficiary Identification forms have been developed and distributed to 39 communities.

<b>Output 1.1. 2: Market Oriented mobilisation</b>	<b>Producer groups mobilised to participate in clusters</b>	<b>#Producer groups</b>	<b>40</b>	<b>7</b>	<b>18%</b>	<b>175</b>	<b>7</b>	<b>4%</b>	<b>7 producer groups (5) currently working with ESNAU, (2) with MoA have been mobilised to participate in FINCLUDE activities</b>
<b>Activities</b>									
1.1.2.1	Conduct market rapid assessment	#Market identified							Rapid assessments have been completed (27/11/2020) in the four regions analysis of results to be compiled.
1.1.2.2	Facilitate formal supply agreements with identified markets	# Formal agreements	48	0	0%				
<b>Output 1.1.3: Multi- stakeholder Cluster Meetings</b>	<b>Multi-stakeholder Cluster meetings organised</b>	<b>#Meetings</b>	<b>0</b>	<b>0</b>	<b>#DIV/ 0!</b>	<b>45</b>	<b>0</b>	<b>0%</b>	<b>The Multi- stakeholder Cluster meetings were changed to be at Regional level and they will be held twice a year. No MCMs</b>





1.1.4.1	Conduct Business to Business follow up meetings for priorities identified during the MCM	#Meetings	18	0	0%				Meetings have not been conducted since clusters are yet to be formed.
1.1.4.2	Develop Investment Plans for priority private investments	#Investments plans		0	#DIV/0!				
1.1.4.3	Facilitate Loan finance dialogue meetings with FIs	#Meetings		3	#DIV/0!				Meetings have been conducted with 3 financial institutions FNB, Eswatini Bank & Nedbank.
1.1.4.4	Facilitate execution of identified investments through loan financing	# and value of loans issued		0	#DIV/0!				Loans have not yet been issued out at this stage of implementation farmers are still being mobilised into clusters.
1.1.4.5	Carry out monitoring and supervisor of investments	#reports	4	0	0%				Loans have not yet been issued out at this stage of implementation farmers are still being mobilised into clusters.
1.1.4.6	Carry out investment planning and coordination meetings to identify public good investments	#Meetings	8	4	50%				Regional planning meetings have been conducted to identify

									possible public good investment opportunities in each region.
1.1.4.2	Implement the Sector Development Facility	#projects supported	7	0	0%				This activity will be conducted upon formation of clusters.
<b>Output 1.1.5 Support to Market Development</b>	<b>Business development services offered to beneficiaries</b>	<b>#BDS services</b>							
<b>Activities</b>									
1.1.5.1	Conduct needs assessment market development opportunities	Report	1	0	0%				This will be conducted as soon a clusters have been formed.
1.1.5.2	Carry out market linkages assessments	Report	1	0	0%				
1.1.5.2	Facilitate the roll out of the new draft extension policy of the MoAs	report	1	0	0%				
1.1.5.3	Carry out training in business skills to individuals within the clusters	#People trained	500	0	0%				This activity relies heavily on the clusters thus it has not been conducted.
1.1.5.4	Facilitate development of business plans	#Plans	500	0	0%				
1.1.5.5	Carry out business skills mentoring and coaching to individuals	#people supported	500	0	0%				

<b>Output 1.1.6: Research and Development</b>	<b>Research and development fostered through Strategic partnerships with research institutions</b>	<b>#Research reports</b>						<b>#DIV/0!</b>	<b>Engagement with University of Eswatini is still yet to be initiated.</b>
<b>Activities</b>									
1.1.6.1	Engage and dialogue with research institutions on the possibility of carrying out development research	#Meetings held	5	0	0%				
1.1.6.2	Facilitate development research activities with research institutions	#Research reports	1	0	0%				
<b>Subcomponent 1.2 :</b>	<b>Building capabilities of producers and groups</b>								
<b>Output 1.2.1: Business Skills Mentoring</b>	<b>Number of Individuals trained in Business and financial skills</b>	<b>#people</b>	<b>500</b>	<b>0</b>	<b>0%</b>	<b>8500</b>	<b>0</b>	<b>0%</b>	Beneficiaries are currently being identified
<b>Activities</b>									
1.2.1.1	Carry out a needs assessment to identify capacity gaps for support	Report	1	0	0%				
1.2.1.2	Develop Training modules for delivery of training programme	#Modules	12	0	0%				
1.2.1.3	Conduct trainings on Group dynamics, Business skills, agribusiness, agricultural technical, climate resilience and financial education	#trainings	50	0	0%				Training programme to be delivered in February 2021 upon formation of clusters and identification of

									potential beneficiaries.
1.2.1.4	Develop training modules to support Migrant Workers and Recipient Families	#Modules	4	0	0%				This training module is being developed by FINMARK TRUST and will
1.2.1.5	Carry out training for migrant workers and recipient families on effective utilisation of remittances	# Trainings	4	0	0%				
<b>Output 1.2.2: Producer group coaching and graduation</b>	<b>Producer groups coached and graduated from the Project</b>	<b>#Producer groups</b>							
<b>Activities</b>									
1.2.2.1	Provide Mentorship and coaching to famers and producer groups	#Mentorship visits provided	50	0	0%				
1.2.2.2	Develop a social Inclusion manual	Manual	1	1	100%				Draft Manual developed and currently under review by PMU
1.2.2.3	Carry out a social inclusion training for PMU and partner staff	#staff trained	30	33	110%				Training of Trainers was conducted for 33 staff (9 PMU and 24 Partner Staff)

									on the social inclusion manual
1.2.2.4	Develop a social mentoring manual	Manual	1	0	0%				ToR have been developed and assignment is expected to commence by January 2021
1.2.2.5	Carry out training of trainers on social mentoring	#Staff trained	30	0	0%				Training awaits engagement of the consultant.
1.2.2.6	Conduct social mentoring to beneficiaries	#mentoring visits conducted	30	0	0%				
<b>Component 2:</b>	<b>Increasing supply of rural financial services</b>								
<b>Sub-component 2.1:</b>	<b>Addressing the information divide between supply and demand for credit and other financial services</b>								
<b>Output 2.1.1: Financial demand and supply database</b>	<b>Information data bases established</b>	<b>#Database developed</b>	<b>1</b>	<b>0</b>	<b>0%</b>	<b>1</b>	<b>0</b>	<b>0%</b>	
<b>Activities</b>									
2.1.1.1	Carry out a financial demand and supply survey	Survey report	1	0	0%				
2.1.1.2	Develop a matchmaking matrix	Matrix	1	0	0%				
2.1.1.3	Define a financial graduation roadmap	Roadmap	1	0	0%				
2.1.1.4	Develop financial demand and supply database	Database	1	0	0%				

<b>Output 2.1.2: Savings and Credit Group Database</b>	<b>A savings and credit group database developed and operationalised</b>	<b>Database</b>	<b>1</b>	<b>0</b>	<b>0%</b>	<b>1</b>	<b>0</b>	<b>0%</b>	
<b>Activities</b>									
2.1.2.1	Develop the Savings and Credit Groups Database	Database	1	0	0%				
<b>Output 2.1.3: Credit History of beneficiaries established</b>	<b>Credit History of beneficiaries tool developed</b>	<b>Tool</b>	<b>1</b>	<b>0</b>	<b>0%</b>	<b>1</b>	<b>0</b>	<b>0%</b>	
<b>Activities</b>									
2.1.3.1	Develop a credit history tool	Tool	1	0	0%				
<b>Sub-component 2.2:</b>	<b>Partnerships with FIs to increase loan supply and savings</b>								
<b>Output 2.2.1: Partnerships established</b>	<b>Partnerships established with Banks</b>	<b># Partner Banks</b>	<b>3</b>	<b>0</b>	<b>0%</b>	<b>3</b>	<b>0</b>	<b>0%</b>	<b>Meetings with FNB, Nedbank and Eswatini Bank have been initiated.</b>
<b>Activities</b>									
2.2.1.1	Hold dialogue meetings with existing banks on possibility of establishing partnerships with them	#meetings	6	2	33%				Meetings with FNB, Nedbank and Eswatini Bank have been initiated.
2.2.1.2	Facilitate access to loans through aggregation of beneficiaries with similar investment plans	#beneficiari es accessing aggregate							

		financial products							
2.2.1.4	Facilitate development of appropriate financial products by Banks	# Financial products developed							
		# MFIs							
2.2.1.5	Hold dialogue meetings with existing and potential MFIs on possibility of partnering with them for project implementation	#Meetings							
2.2.1.6	Facilitate dialogues/outreach with FI	# Dialogues							
2.2.1.6	Establish partnership with Inhlanyelo Fund	MOU operational	1	1	100%				Meeting with Inhlanyelo has been initiated MOU to be drafted and operationalised.
2.2.1.7	Conduct MFI Feasibility Study	Study report							
2.2.1.8	Support Savings Groups and Apex Bodies	#Savings groups							The first technical group meeting for the savings groups has been conducted to map out lines of work and understand each of the

									organizations line of work.
2.2.1.9	Facilitate use of mobile money for remittances	Value of remittances channelled through mobile money services							
<b>Sub-component 2.3:</b>	<b>Financial Instrument for Risk Management (FIRM)</b>								
<b>Output 2.3.1: Financial Instrument for Risk Management</b>	<b>FIRM implemented</b>	<b># and Value of loans guaranteed</b>							
<b>Activities</b>									
2.3.1.1	Hold dialogue meetings with the central bank and other bank Institutions on the establishment of the FIRM	#Meetings							
2.3.1.2	Organise steering committee meetings on the FIRM	#Meetings							



2.3.1.3	Implement Financial Instrument for Risk Management	# and value of loans disaggregated by portfolio guarantees, individual guarantees and insurance							
2.3.1.4	Conduct agricultural insurance feasibility study								
<b>Sub-component 2.4:</b>	<b>Capacity Enhancement and Policy Development Facility</b>								
<b>Output 2.4.1: Capacity Enhancement for Financial Inclusion</b>	<b>staff capacity to implement FINCLUDE enhanced</b>	<b>#staff trained</b>							
<b>Activities</b>									
2.4.1.1	Facilitate set up and operationalisation of the FIRM								
2.4.1.2	Develop value chain financing and risk assessment manuals								
2.4.1.3	Train staff on the implementation of financial inclusion activities	#staff trained							
2.4.1.4	Carry out thematic and market research studies	#reports							
2.4.1.5	Carry out monitoring and supervision of investments	#reports							

<b>Sub-component 2.5:</b>	<b>Savings promotion and remittances</b>								
<b>Activities</b>									
2.5.1.1	Facilitate use of mobile money for remittances								
<b>Sub-Component 2.6:</b>	<b>Partnerships to increase the wider quality of credit demand</b>								
<b>Activities</b>									
2.6.1.1									
<b>Component 3:</b>	<b>Climate resilient decision making and investment</b>								
<b>Sub-component 3.1:</b>	<b>Climate-informed decision-making</b>								
<b>Sub-component 3.2:</b>	<b>Investments in climate resilient clusters</b>								
<b>Sub-component 3.3:</b>	<b>Long-term access to climate finance</b>								

## **Eswatini**

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### **Financial Inclusion and Cluster Development Project Supervision Report**

#### **Appendix 3: Compliance with legal covenants: status of implementation**

Mission Dates: 01/12/2020-09/12/2020  
Document Date: 11/01/2021  
Project No. 2000001804  
Report No. 5633-SZ

East and Southern Africa Division  
Programme Management Department



### Appendix 3: Compliance with legal covenants: status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/ Remarks
<b>Section B.6</b>	Maintaining a designated account denominated in US\$ at the Central Bank of Eswatini	Continuous	Complied
<b>Section B.7</b>	Maintaining a project account to receive funds from the DA for daily operations	Continuous	Complied
<b>Section B8</b>	Maintaining counterpart operating account to receive and maintain counterpart funds	Continuous	Complied
<b>Section B9</b>	Counterpart financing by borrower of US2,900,000	Continuous	Complied
<b>Section E.2 (a)</b>	Obtain IFAD's no objection to the PIM	Prior to first Disbursement	Complied
<b>Section E.2 (b)</b>	Establish PMU and recruit key project staff	Prior to first Disbursement	Complied. IFAD concurrence obtained for the interim position of PD and Component 2 Manager
<b>Section E.2 (c)</b>	Establish an accounting system acceptable to IFAD	Prior to first Disbursement	Complied. IFAD granted 6 months waiver on use of Sun Accounting Software requiring financial report configuration
<b>Schedule 3 (b)</b>	Project to accurately record and report on beneficiary contribution	Continuous	To be monitored during implementation
<b>GC Section 7.01.b.ii</b>	AWPB to be submitted to IFAD for its review and no objection	31st January each year	To be monitored during implementation
<b>GC Section 7.05</b>	Procurement of goods, works and services carried out in accordance with the Borrower procurement regulations if consistent with IFAD procurement regulations	Continuous	Complied
<b>GC Section 7.10</b>	Insurance of all project goods and buildings financed from the loan proceeds to be consistent with sound commercial practice	Continuous	Complied
<b>GC Section 8.3 (a)</b>	Progress reports including interim financial reports to be submitted to IFAD on a half yearly basis within 30 days of period end	Half-yearly -30 March and 30 September	Not complied
<b>GC Section 8.3 (b)</b>	A Mid-Term Review (MTR) to be carried out jointly by the Borrower and IFAD.	FY2022/23	Not yet due

<b>GC Section 9.02</b>	Submit to IFAD unaudited financial statements for each Fiscal Year within four (4) months of the end of each Fiscal Year.	31 July, each year	To be monitored during implementation
<b>GC Section 9.03 (a)</b>	have external audit performed on the Project accounts each fiscal year	31 March each year	To be monitored during implementation
<b>GC Section 9.03 (b)</b>	Audit report submitted to IFAD.	30 September, each year	To be monitored during implementation
<b>GC Section 11.01 (a)</b>	Project to be exempted from all import duties, excise taxes and value added tax (VAT) on project expenditures	Continuous	Complied