

Malawi

Financial Access for Rural Markets, Smallholders and Enterprise Programme Supervision Report

Main report and appendices

Mission Dates: 24 February - 06 March, 2020
Document Date 07/04/2020
Project No. 2000001501
Report No. 5391-MW

East and Southern Africa Division
Programme Management Department

Abbreviations and Acronyms

AFWG	Agricultural Finance Working Group
AWP&B	Annual Work Plan and Budget
BAM	Bankers Association of Malawi
CBFO	Community Based Financial Organization
CEO	Chief Executive Officer
COSOP	Country Strategic Opportunities Paper
CPIA	Country and Policy Institutional Assessment
CTA	Chief Technical Advisor
EIRR	Economic internal rate of return
ENPV	Economic net present value
FARMSE	Facility to Assist Rural Markets, Smallholders, and Enterprise Programme
FISP	Farm Input Subsidy Programme
FMA	Financial Management Assessment
FMD	Financial Management Division
FSP	Financial Service Providers
GAP	Food agricultural practice
GDP	Gross Domestic Product
GOM	Government of Malawi
HCD	Human Centered Design
HDI	Human Development Index
IFAD	International Fund for Agricultural Development
IPC	Internal Procurement Committee
IRLADP	Irrigation, Rural Livelihoods, and Agricultural Development Programme
M&E	Monitoring and Evaluation
MGDS	Malawi Growth and Development Strategy II
MIS	Management Information System
MLGRD	Ministry of Local Government and Rural Development
MAMN	Malawi Micro-Finance Network
MNO	Mobile Network Operators
MOA	Ministry Agriculture
MoFEPD	Ministry of Finance, Economic Planning, and Development
MPAT	Multidimensional Poverty Assessment Tool
MSMEs	Micro, small and medium, sized enterprise
MUSCCO	Malawi Union of Savings and Credit Cooperatives
MWK	Malawian Kwacha (unit of currency)
NAP	National Agriculture Policy
NGOs	Non-governmental organisation
NSSP	National Social Support Programme
OIBM	Opportunity International Bank of Malawi
PCN	Project Concept Note
PFSPD	Pension and Financial Sector Policy Division
PIM	Programme Implementation Manual
PLC	Payday lending companies
PMU	Programme Management Unit
PRIDE	Programme for Rural Irrigation Development
PSC	Programme Steering Committee
RB-AWPB	Results Based Annual Work plan and Budget
RBM	Reserve Bank of Malawi
RIMS	Results and Impact Management System

RLEEP	Rural Livelihoods and Economic Enhancement Programme
SACCO	Savings and Credit Cooperative
SAPP	Sustainable Agricultural Production Programme
SECAP	Social, Environmental and Climate Assessment Procedures
SME	Small and medium sized enterprise
TA	Technical Assistance
TOR	Terms of Reference
TSPs	Technical Service Providers
USD	Unites States Denominated currency
VSLAs	Village Savings and Loans Association

A. Project Overview

Region:	East and Southern Africa Division	Project at Risk Status:	Not at risk
Country:	Malawi	Environmental and Social Category:	B
Project Name:	Financial Access for Rural Markets, Smallholders and Enterprise Programme	Climate Risk Classification:	2
Project ID:	2000001501	Executing Institution:	Ministry of Finance
Project Type:	Credit and Financial Services	Implementing Institutions:	Ministry of Finance
CPM:	Ambrosio Barros		
Project Director:	not available yet		
Project Area:	not available yet		

Approval Date:	11/12/2017	Last audit receipt:	18/12/2019
Signing Date:	06/06/2018	Date of Last SIS Mission:	06/03/2020
Entry into Force Date:	06/06/2018	Number of SIS Missions:	2
Available for Disbursement Date:	15/08/2018	Number of extensions:	0
First Disbursement Date:	10/09/2018	Effectiveness lag:	6 months
MTR Date:	not available yet		
Original Completion Date:	30/06/2025		
Current Completion Date:	30/06/2025		
Financial Closure:	not available yet		

Project total financing

IFAD Financing breakdown	IFAD	\$21,000,000
	Debt Sustainability Framework	\$21,000,000
Domestic Financing breakdown	National Government	\$9,582,000
	Private sector local	\$6,151,000
Co-financing breakdown,		
Project total financing:		\$57,733,000

Current Mission

Mission Dates:	24 February - 06 March, 2020
Days in the field:	5
Mission composition:	<p>Ambrosio Barros, Country Director, overall responsible for the supervision mission and leading the team</p> <p>Sauli Hurri, PTL and RF specialist, co-team lead and lead writer</p> <p>Fabian Schuster, M&E and KM Specialist</p> <p>Alice Abillu, Financial Management and Procurement Specialist</p> <p>Claire Orengo, Gender and Social Inclusion Specialist</p> <p>Zira Mavunganidze, Climate and Environment Specialist</p> <p>James Ntupanyama, Institutions Specialist</p>

Field sites visited: Blantyre district, Blantyre Mwanza district, Wefere Biniton Village (-15.6707764, 34.4194202) Mwanza district, Commissioners Office Thyolo district, Thowera, Ndalama (-16.017067, 35.295524) Thyolo district, Nanseta, Ngongoliwa (-15.936586, 35.193125) Thyolo district, CHIDE village, Vumbwe (-15.936913, 35.087795) Thyolo district, Commissioners Office Mulanje district, Mabuka, Mabuka (-16.057791, 35.50213) Mulanje district, Limbuli Trading Centre (-16.073880, 35.714036) Mulanje district, Commissioners Office Salima district, Magumbwa Village, Ndindi (-13.999553, 34.504677) Salima district, Reuben Village, Kambwiri (-13.784040, 34.427720) Salima district, Commissioners Office

B. Overall Assessment

Key SIS Indicator #1	Ø	Rating	Key SIS Indicator #2	Ø	Rating
Likelihood of Achieving the Development Objective		4	Assessment of the Overall Implementation Performance		4

Effectiveness and Developmental Focus	4	Project Management	4
Effectiveness	5	Quality of Project Management	4
Targeting and Outreach	5	Knowledge Management	5
Gender equality & women's participation	4	Value for Money	4
Agricultural Productivity	4	Coherence between AWPB and Implementation	5
Nutrition	4	Performance of M&E System	4
Adaptation to Climate Change	4	Requirements of Social, Environmental and Climate Assessment Procedures (SECAP)	3

Sustainability and Scaling-up	4	Financial Management and Execution	4
Institutions and Policy Engagement	4	Acceptable Disbursement Rate	4
Partnership-building	5	Quality of Financial Management	4
Human and Social Capital and Empowerment	4	Quality and Timeliness of Audit	5
Quality of Beneficiary Participation	5	Counterparts Funds	2
Responsiveness of Service Providers	5	Compliance with Loan Covenants	5
Environment and Natural Resource Management	4	Procurement	4
Exit Strategy	4		
Potential for Scaling-up	4		

Relevance	5
------------------	----------

C. Mission Objectives and Key Conclusions

Background and Main Objective of the Mission

The Financial Access for Rural Markets, Smallholders and Enterprise Programme (FARMSE) became effective on 6 June 2018. The completion date is 30 June 2025, and financial closing is on 31 December 2025. Total cost of the programme is USD 57.7 million including IFAD contribution of USD 42 million and USD 15.7 million from Malawi government and domestic private sector. The FARMSE overall goal is to reduce poverty, improve livelihoods and enhance the resilience of rural households on a sustainable basis. The development objective is to increase access to a range of sustainable financial services by rural households and micro, small, and medium enterprises. The goal and objective are to be achieved through implementation of three components: (i) Ultra-poor graduation model development and testing at scale, (ii) Support to Financial Innovation and Outreach, and (iii) Strategic Partnerships, Knowledge Generation, and Policy.

The IFAD Supervision Mission of FARMSE was undertaken in partnership with GoM during 24 February – 6 March, 2020. A draft Mission Aide Memoire was consolidated with the PMU on 5 March, and a formal wrap up meeting was held with the Ministry of Finance on 6 March. The mission objectives were to: (i) review FARMSE implementation progress by component since the Programme start up and against ongoing AWPB; (ii) review the quality of overall programme management, as well as financial and procurement management; (iii) review initial achievement of expected results and the likelihood of achieving programme targets.

The Supervision Mission held meetings in Lilongwe and in five target districts, with the FARMSE PMU, the Ministry of Finance, Economic Planning and Development, Implementing Partner NGOs, FSPs and associations, GoM District Offices and Line Agencies, and with numerous groups of households in the communities. IFAD mission extends its sincere thanks to FARMSE team and partners especially the villages for all their preparations, hospitality, kind support and time spent with the mission.

Key Mission Agreements and Conclusions

After 21 months of programme effectiveness, FARMSE has entered into a phase of scaled implementation. The components are operational and delivering the intended development targets. The annual implementation progress is rated **satisfactory**; and the likelihood of achieving development targets is rated **satisfactory**. Summary of project progress:

- Graduation Component 1 activities are programmed through competitively awarded contracts with five NGOs. The comprehensive support package is extended to 12 050 ultra-poor households, which is 80% of total expected outreach;
- CBFO Component 2.1 initiated activities with three implementing partners, with achieved outreach to 2109 CBFOs with 44 716 member households, which is 41% of annual target and 11.7% of total outreach target;
- The IOF Component 2.2 competitive matching grant mechanism was established. Its Window 3 awarded sub-projects to 5 FSPs to expand the implementation of innovative rural banking products. The FSPs have so far reached out to 44 176 households against programme target of 37,200 representing 118% of target;
- The SP and Policy Component 3 has initiated a financial literacy programme with the Reserve Bank, and held an international symposium on digital banking best practices;
- Across components, the project has already been able to promote a number of Rural Finance innovations including: digital tools for household training, VCF smallholder lending, digital agent banking, linking CBFOs with formal FSPs and mobile wallet services;
- The mission during its field visits observed high engagement of villagers into the activities, including for the Ultra-Poor.

Disbursement progress. As at 31 January 2020, total disbursement of USD 9.72 million incurred from all financing sources, equal to 17% of total approved project cost. This includes disbursement levels of 23% by the IFAD loan, 23% by the IFAD grant, and 5.6% for the domestic contributions.

Main agreements. To further strengthen FARMSE implementation, the programme management and steering committee will pay special attention to the following actions:

- Speed up the services under CBFO component 2.1 in order to reach 50% total outreach target by December 2020. To achieve this, PMU will clarify the guideline for CBFO strengthening/establishment mechanisms, and call for new proposals quarterly through 2020;
- The Windows (W) 1 and 2 under IOF have not yet awarded sub-projects. To ensure utilization of these instruments, a review of W2 conditions was agreed upon, PMU will tailor its IOF communications, and the 2020 calls for proposals will only target W1&2;
- The Strategic Partnerships, Knowledge and Policy component 3 will introduce a structured implementation approach. The PMU will hold consultations with key SPs for enabling rural finance (RF) environment in Malawi and establish a pipeline of interventions to be implemented by the SPs during 2020-2023. The aim is to strengthen the SP-institutions and contribute to a strengthened RF policy framework;
- The government counterpart financing through tax recoveries is limited. The process needs strengthening.

D. Overview and Project Progress

Component 1: Graduation of ultra-poor households. *Rated as satisfactory.* **LF indicators:** 15 000 households reached with graduation activities; 80 percent of the targeted households attain food security. The activities are designed to support ultra-poor households through: (i) financial literacy, technical training and business planning services; (ii) savings and credit group establishment, savings culture promotion; (iii) coaching and mentoring at household level; (iv) enterprise selection; and (v) seed capital in form of assets and cash transfers.

Progress is on track to achieve the component targets. The project developed an Ultra-Poor Graduation Guidelines; released a call for Graduation Sub-Project proposals; received 27 Concept Notes; shortlisted 11 organizations to develop full proposals; and finally selected 5 implementing partners. The IFAD financing for the five sub-projects is USD 8.8 million, representing 83% of the total available budget for Graduation. A total of 12 050 ultra-poor households are now being provided with services, which is 80% of overall target.

The Implementing Partners each aim to graduate 3700 households from ultra-poverty, and outreach of the service so far is: (i) **Care**, 3,860 households; (ii) **World Relief**, 5518 households; (iii) **Oxfam**, 1250 households; (iv) **COMSIP**, 5282 households; and (v) **Save the Children**, 2,121 households. IFAD's committed financing for each partner is USD 1.76 million, and counterpart financing ranges between USD 280 000 - 390 000. The mission visited COMSIP and Care field sites, and reviewed progress reports for each. The partners follow the designed Graduation Approach, and the progress, quality of work and empowerment of beneficiary groups is in overall observed as satisfactory.

Need for improvements: (i) **Food and nutrition vulnerability** is common among target households, reaction to which is key to the success of this component. Nutrition messages have been developed by the PMU, and each IP has some Nutrition interventions, however the approach is yet to be harmonized; (ii) **Household Methodologies for Gender Equality** have the potential to sustainably support the progression of a household from safety-net programmes to income-generating activities and regular microfinance programmes, however it is not yet integrated within some of the IPs' activities – see more below at section for Gender Equality; (iii) **UPG targeting:** The Graduation targeting is based on National Social Cash Transfer Programme beneficiary lists of households. Some members of these households lack means of production due to old age or handicap. IPs need to identify and engage those households into UPG that have at least one member with means of production.

Component 2: Support for financial innovation and outreach. *Rated as satisfactory.* **LF targets:** (i) 290,574 CBFO members retrained; 90 000 new CBFO members; (ii) 5 new/revised rural FSP products; 15 000 CBFOs linked to markets/FSPs; 37 200 new rural clients at FSPs. The project is on track to achieve the targets.

Sub-component 2.1: Community-based financial organization (CBFO) support. The aim is to improve rural people's access to CBFO services, through strengthening of existing CBFOs and through establishment of new CBFOs. The progress against designed activities includes:

Mapping of Malawi's existing CBFOs and assessment of their maturity was completed. The focus was limited to the target areas of previous IFAD project RFSP. To add to this, each CBFO implementing partner has started mapping their respective target areas, to be compiled by the PMU.

CBFO development progress. A first call for CBFO sub-project concept notes and a subsequent selection process was completed, in line with the procedures agreed upon with IFAD. Out of 17 received concept notes, 8 were shortlisted to submit full proposals, and contracts were awarded to three partner organizations to implement sub-projects. For the three contracts, USD 3.4 million of IFAD financing is committed, representing 28% of the total available budget for this activity. The targeted outreach of these 3 sub-projects is to 24 150 CBFOs with 476 750 members. The achievement by December 2019 was 2109 CBFO groups and 44 716 CBFO members (73% female, 20% youth), representing 41% against 2019/2020 annual target and 11.7% against overall subcomponent target. In overall the FARMSE strategy of strengthening the CBFO operations and link them to FSPs has a good potential of sustainable impact. The mission visited field-sites of each implementing partner:

Heifer: With IFAD financing of USD 1 million, the aim is to form and/or strengthen 8450 CBFOs with 211,250 households. In Heifer model, CBFO activities are embedded within agriculture producer groups in value chains, which shows high potential. The quality of Heifer work, empowerment of beneficiaries, and activity progress were observed as satisfactory.

COMSIP: With IFAD financing of USD 0.84 million, target is to form and/or strengthen 3,000 CBFOs with total 75 000 households. COMSIP implements both the Graduation and CBFO activities, which enables integration of Graduation groups into CBFO level after graduation. COMSIP progress, work quality and empowerment are satisfactory.

MUSCCO: With IFAD financing of USD 1.54 million, target is to form and/or strengthen 12 700 CBFOs with 190 500 households. The strength of MUSCCO is in large SACCO network, and its strategy is to link the supported CBFOs with financial services by the SACCOs. It was noted during the mission visits, the field presence of MUSCCO is insufficient in view of its targets and in comparison with other IPs across components.

Need for improvements: (i) Reporting to be done in three levels: existing CBFOs and their capacity in target areas;

existing CBFO strengthening; new CBFOs establishment; (ii) Pipeline and the quality of sub-projects to be continuously developed to increase CBFO outreach and impact; (iii) 4 more sub-projects were identified, contracts prepared and submitted to IFAD for no objection, however the documents require improvement – see details at procurement section; (iv) Revitalize the Malawi Savings and Lending Group TWG for exchange of best practices, updating of the guidelines and their dissemination – see more at component three.

Sub-component: 2.2 Innovation and Outreach Facility (IOF): Purpose is to enhance the capacity of FSPs for demand-driven services in rural areas. This is done through competitive matching grants under three categories: *Window 1: Market research and feasibility studies* with allocated budget of USD 1.5 million; Maximum single grant size USD 50 000 matching up to 80% of costs. *Window 2: Pilot testing of product innovations and delivery mechanisms* USD 1.26 million; maximum single grant size USD 70 000; max. 70% of costs. *Window 3: Expanding outreach of successful financial services*; USD 6 million; maximum single grant USD 1 million; max. 50% of costs.

Progress: The IOF Window 3 has made good progress. 21 concept notes were received, out of which 11 were shortlisted to submit full proposals, and contracts were awarded to five organizations. The five partners are implementing IOF co-investments in total volume of USD 4.31 million by IFAD, which is 72% of the total budget in the window. The outreach of these sub-projects is to 44 176 households, representing 118% against overall subcomponent target. Three of the sub-projects (NBS, FINCOOP, CUMO) were visited by the mission and progress reports were reviewed for all.

NBS Bank project with USD 1 million by FARMSE scales up a digital rural banking pilot called “Pafupi Bank”, including: (i) Pafupi Digital Agent network scaled from 300 to 1300, (ii) open 50 000 new savings bank accounts for rural households, (iii) provide 2500 smallholders VCF loans with alternative collateral, (iv) integrate Pafupi Bank with MNO services, and (v) improve rural livelihoods with services.

FINCOOP project with USD 0.35 million by FARMSE aims to (i) support 8000 beneficiaries to strengthen their financial literacy, business planning and group management skills, (ii) link 5000 CBFOs and their members to SACCO savings, loans and insurance services. The approach improves the sustainability of CBFOs with a commercial business case.

CUMO project with USD 1 million by FARMSE aims to expand its financial services to 44 881 underserved rural households by (i) operating financial services through CBFO membership, (ii) scaled use of digital tools for BDS, M&E and banking, (iii) include a holistic FS package with savings, loans and insurance, all supported by intensive demand driven technical assistance.

FDH Bank project with USD 1 million by FARMSE develops and implements tailor made and easy to use digital financial solutions for rural households, including (i) develop “Ufulu Digital Account” system and provide service to 291 200 rural clients, (ii) increase rural service network through recruitment and capacitation of 200 Smart Pay Merchants and 200 “Pakhomo” Digi-Banking agents.

FINCA project with USD 0.94 million by FARMSE improves access to a range of formal financial services for 60,000 new rural customers through: (i) scaling up digital bank agent network to 200, train them and ensure their sustainable income, (ii) include loan application service to offering by rural agents, (iii) build financial literacy skills of potential rural clients.

Need for improvements: While the above described W3 investments are on track and are likely to exceed their expected results, IOF in overall needs some improvement: (i) The Windows 1 and 2 have not yet started any investments. To resolve this, the 2020 IOF rounds will only call for W1&2 proposals; the IOF communications to target potential W1&2 partners; the maximum grant amount of Window 2 is increased to USD 200 000; (ii) The IOF M&E system needs to be strengthened to capture three layers: FSP performance, outreach to rural people, development impact at smallholder level; (iii) The PMU reports need to be strengthened for IOF section, for technical descriptions and accuracy of numbers. As an additional point of action, IFAD and FARMSE will jointly explore possibility of partner FSPs accessing ABC Fund financing.

Component 3: Strategic partnerships, knowledge generation and policy. *Rated as moderately satisfactory.* **LF indicators:** (i) 1 functioning graduation multi-stakeholder platform and 12 policy forums held; (iii) 2 existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment; (iv) 5 functioning multi-stakeholder platforms supported; (v) 10 rural finance support organizations with improved inclusive finance good practice knowledge; (vi) 5 policy relevant knowledge products completed. The programme is expected to meet targets but experienced some delays.

Sub-component 3.1: Support for poverty graduation policy and systems. The aim of this sub-component is to enhance capacity of GoM to ensure multi-stakeholder coordination and to manage poverty graduation programmes.

Progress: (i) **SSTC.** FARMSE conducted an international study visits to Uganda to learn lessons from successful ultra-poor graduation implementation. The learning topics included targeting, market assessment, household coaching and mentoring, asset transfer, Monitoring and Evaluation, advocacy with local leaders and engagement of local communities in the selection of programme participants. (ii) **Ultra-poor graduation guidelines.** FARMSE organized two technical working group (TWG) meetings with Poverty Reduction and Social Protection division as leading agency, Pensions and Financial Sector Policy division, department of Community Development, Department of Gender, World Relief, GIZ, COMSIP, CARE, MLGRD, and PSU. Lessons informed the ultra-poor graduation guidelines for use by implementing

partners and the development of key graduation M&E indicators. **(iii) Financial literacy messages.** FARMSE held discussions with the Reserve Bank of Malawi (RBM) and took up its financial literacy messages. With the Ministry of Information and Civic Education, the messages were simplified and translated into Chichewa and Tumbuka languages for easy understanding by the ultra-poor. Cartoons were designed to ensure effective dissemination. There is need to strengthen the dissemination of financial literacy messages at the community level for the ultra-poor.

Need for improvement: The TWG will be utilized as forum for discussing and agreeing on best practices and resolving issues for Ultra-Poor Graduation as explained above under component 1.

Sub-component: 3.2: Support for development of broader rural finance. The sub-component aims to strengthen institutions, policies and regulations supporting greater financial sector outreach and innovation.

Progress: **(i) International symposium on rural finance innovations:** International symposium was organized on rural finance innovations and digital technologies in December 2019 with over 100 representatives of GoM, IFAD-funded programmes, private financial sector and donors. **(ii) Communication:** Communication Officer Network of implementing partners was established; Three media orientations held to train local media representatives about FARMSE's activities, and successfully increased media coverage. **(iii) KM Needs Assessment study** on financial literacy in Malawi was conducted to develop relevant financial messages for beneficiaries.

Needs for improvement: Despite good efforts made, the overall C3 and particularly C3.2 implementation is slow against LF targets and allocated resources. Supervision mission and FARMSE recognize that to improve the efficiency of the component, a more structured implementation approach needs to be introduced.

It was agreed that the PMU in collaboration with the PFSPD will: (i) hold consultations with potential Strategic Partners (SP) for enabling RF environment in Malawi; (ii) identify key SPs and engage them through MOUs; (iii) through meetings with the SPs as well as a roundtable discussion, establish a pipeline of interventions to be implemented by 5-8 SPs during 2020-2023. The activities will be proposed by the SPs, following PCU's communicated framework regarding available resources and LF objectives; (iv) the next AWPBs will allocate resources to be implemented by the SPs.

The SPs may include but not excluded to: (i) Reserve Bank of Malawi (Microfinance, Payments System, Banking and Insurance, Legal and regulatory divisions), (ii) Malawi Communication Regulatory Authority, (iii) Competition and Fair-Trading Commission, (iv) Industry associations, (v) M-hubs, (vi) Technical working groups, (vii) Microfinance Association. Activities for the following themes could particularly enhance the enabling environment in Malawi: (i) fraud prevention, (ii) delivery of DFS, (iii) financial and digital literacy, (iv) client protection, (v) DFS systems, (vi) digital financial services, (vii) agent networks, (viii) Access to Finance statistics. In overall, the SPs will exchange, update each other on their respective progress, and advocate for appropriate policy improvements, in a strengthened Financial Sector Technical Working Group, chaired by the PFSPD.

Agreed Action	Responsibility	Agreed Date
Strengthen CBFO reporting Include in the reports (i) existing CBFOs in target areas; (ii) CBFOs strengthened; (iii) new CBFOs established.	PMU and CBFO partner organizations	03/2020
Nutrition, food security Incorporate nutrition messaging within the Graduation packages	PMU and Graduation IPs	04/2020
Supervise MUSCCO grant implementation system PMU to (i) supervise MUSCCO WP & Budget implementation including through field visits, (ii) submit report to IFAD by 15 May 2020, (iii) based on findings, agree with IFAD on way forward.	PMU / MUSCCO	05/2020
Improve IOF M&E and reporting (i) Include in M&E the layers: FSP performance, outreach to rural people, and development impact at smallholder level; (ii) Strengthen IOF sections of PMU progress reports.	PMU	05/2020
Improve Component 3.2 implementation arrangement Structure the implementation by establishing Strategic Partnerships (SP) with concrete deliverables and AWPBs for each SP	PMU	05/2020
Revitalize the SLG TWG Exchange on CBFO development best practices and update guidelines	PMU and CBFO partner organizations	07/2020
Develop the pipeline and assure quality of CBFO sub-projects Within 2020, deploy 2 more calls for proposals and start new CBFO sub-projects accumulating at least 50% of the outreach targets. Quarterly supervision of quality by visiting randomly selected CBFOs	PMU	12/2020
Build pipeline for IOF Window 1 and Window 2 (i) targeted communications and call for proposals only to W1&2 during 2020, (ii) increase W2 max amount to USD 200 000.	PMU	12/2020
Benchmark cost per beneficiary Discuss and agree between IPs a benchmark cost per graduation	PMU and Graduation IPs	06/2021

E. Project implementation

a. Development Effectiveness

Effectiveness and Developmental Focus

Effectiveness

Rating: 5

Previous rating: 4

Justification of rating

Following fast-tracking of implementation after initial delays due to recruitment, FARMSE has made significant progress on outputs and is on-track to achieve most of its outcomes. The programme has reached 100,944 rural households (23%

of the end target). Outreach is particularly positive under component 1 with 12,050 rural households participating in ultra-poor graduation (80% of end target). Under component 2: 88,894 households gained access to rural financial services (21% of end target). Progress under component 3 has been slower as the programme has yet to create an actionable plan to coordinate activities for policy change.

Log-Frame Analysis & Main Issues of Effectiveness

Total Outreach & Impact. FARMSE has reached 100,944 rural households (23% of the end target) and reached an average of 21.28% of completion on development objectives. If this progress can be sustained, the programme will surpass the end target.

Component 1. FARMSE achieved an outreach of 80.33% of the end target under output 1.1.1. Reporting on the remaining two output indicators is not yet possible as trainings of households on financial literacy and nutrition started only shortly before the Mission. The Mission expects positive results in line with the outreach as IPs have generally demonstrated effective beneficiary engagement.

Component 2. Outreach under output 2.1.1 stands at 88,894 (21% of end target). Similar to output 1.1.1, fast progress on other outputs is expected once training of CBFO groups advance in their trainings and linkages to markets are explored based on performance. Under output 2.2.1, the programme has yet to report progress as private sector FSPs have not yet applied under financing window 2 of the IOF to pilot completely new financial products. In comparison, FARMSE was already able to achieve 80% on financial products up scaled under window 3 of the IOF and 75% on FSPs involved of the programme's end target. This has led to the surpassing of the outreach target for new FSPs clients under outcome 2.2 (118.76% achievement). The programme should subsequently work towards increasing engagement of FSPs under financing window 1 and 2.

Component 3. Under output 3.1.1, FARMSE achieved 16.67% and under output 3.2.1 20% of the end target by establishing relevant platforms. Outcome 3.1 has already been achieved through creation of a technical working group on ultra-poor graduation. The programme should increase efforts to engage strategic partners and focus on providing actionable knowledge to ensure impact on national policy.

Development Focus

Targeting and Outreach

Rating: 5

Previous rating: 4

Justification of rating

Targeting is in line with programme design, with a strategy to reach the most vulnerable communities through the implementing partners in components 1 and 2. Local government structures are used to identify households for ultra-poor graduation, along with beneficiary identification screening and registration tools. Volunteers are employed to provide coaching and mentoring to support ultra-poor households identify and overcome obstacles and to make the most of the available opportunities to improve their lives. Community facilitators are used in CBFO support, to conduct community sensitizations and mobilization, group identification/assessment and group formation. 2109 CBFO groups with a total of 44 716 people have been reached (73% women and 20% youth).

Main issues

For the Graduation component, the mission observed that targeting is based on National Social Cash Transfer Programme beneficiary lists of households. Some members of these households lack means of production due to old age or handicap. It was agreed that IPs need to identify and engage those households into UPG that have at least one member with means of production.

Gender equality & women's participation

Rating: 4

Previous rating: 4

Justification of rating

Engagement of women is satisfactory: 9640 women headed households (80 percent) in component 1 and 32 642 women (73 percent) in CBFO groups of component 2.1. The VSLAs is itself a self-selecting mechanism which has seen more women being reached. While VSLA groups are composed of more women than men, many of the group chairpersons are still men.

The well-being and financial independence of women has improved as reported by the sample of women met during the field visits.

A social inclusion focal person for the PMU has been identified to oversee gender mainstreaming. However, a gender and youth strategy is yet to be developed. A consultant has been identified to develop the strategy that will include gendered action plan for PMU and partner organisations

Main issues

(i) **Gender dimension focus** of this project had been biased towards strengthening women's economic opportunities with little consideration of underlying social norms, attitudes, behaviours and systems. Household mentoring and coaching sessions especially under component 1 need to give due focus on intra household dynamics by targeting all the household members and not just the women; with balanced messaging not only targeting business skills but also collective mindset and attitude change. (ii) **Household methodology (HHM)** approach varies between the IPs. Best practices will be identified during 2020, to ensure use of best practices to support female and male ultra-poor graduates in their resilience efforts and avoid slipping back. The use of HHM to be adapted according to IP experiences and the skill level of volunteers and community-based facilitators. (iii) **Gender and Youth Strategy** will be developed by a consultant. This will be informed by results of capacity assessment of both PMU and relevant partners in components 1 and 2. This process is expected to be completed in April. A tailored training will then be given to both PMU and implementing partners. There is need to provide periodic support to the PMU social inclusion focal person. (iv) While the **CBFO groups** are already showing positive effect on improvements of income, business opportunities for women remain at micro-enterprises with smaller margin of profits compared to their male counterparts. Conscious push to support women to aspire to grow their businesses to move beyond responding only to their immediate consumption needs. There is need for focused support for women to tackle mind-set constraints underscoring the need for incorporation of the HHM.

Agreed Action	Responsibility	Agreed Date
Household Methodology approach approach to be integrated within the package for supporting households in component 1	Social inclusion focal person and Graduation IPs	04/2020
Gender and Youth Strategy Gender and Youth Strategy with actions across all the program components developed by consultant. Gender training for all PMU & MoFEPD staff.	Social inclusion focal person	04/2020

Agricultural Productivity

Rating: 4

Justification of rating

The FARMSE support for agricultural productivity is mostly indirect, through access to rural finance for productive investments for smallholders. In addition, agricultural value chains are promoted by the Implementing Partners especially in the components 1 (Graduation), and 2.2 (IOF), where capacity building and financing are being targeted for improved agriculture production. The project is likely to increase agricultural productivity and nutrition of the 15 000 ultra-poor households in the targeted districts. The capacity building so far from Implementing partners on climate-smart agriculture technologies and good agronomic practices to 5 292 beneficiaries will increase soil fertility and boost production. However, as the project is still in the initial stages of implementation, the improvement of agricultural productivity is yet to materialize.

Main issues

The link between Rural Finance and agriculture is yet to be introduced to and disseminated systematically by all implementing partners, as well as promotion of sustainable activities to increase crop productivity in the face of climate change.

Nutrition

Rating: 4

Justification of rating

FARMSE design includes indicators to measure nutrition and food security outcomes of C1 and C2. For implementation, the key messages to focus on include: i) clarifying the difference between food consumption and adequate nutrition; ii) prioritizing food safety in household expenses; iii) supporting healthy food options; and iv) encouraging breastfeeding and good feeding practices for children aged 0-2 years (to contribute to stunting prevention efforts). The program has developed key messages, but these are yet to be distributed to IPs and beneficiaries. While partners have integrated nutrition to some extent, there are differences in the approach of what is delivered and how. Some have developed SBCC strategies while others have no structure

Main issues

(i) The program needs to recognise nutrition as an integral part of the intervention package for components 1 and 2.1 and deliver appropriate messages for the different districts. Greater focus on entrepreneurship and developing business skills dominates the discussions with the expense of nutrition messaging; (ii) While majority of program participants have

access to backyard gardens, issues like skipping meals and consumption of poorly diversified diets were common among program participants interviewed during field visit. Program has opportunity to integrate nutrition with specific targeted messages and promote culture of preparing for lean season by making provision for savings for food. CBFO groups and household coaching sessions can be used to advance this with a well-developed plan of action. There is room for improving type of nutrition data collected for component 1 evidence gathering on the contributions of improved incomes towards nutrition.

Agreed Action	Responsibility	Agreed Date
Targeted Nutrition messages Targeted Nutrition messages to the needs of the beneficiaries. Revise and disseminate the nutrition messaging to target the specific needs of the communities like savings for food	PMU/IPs	05/2020

Adaptation to Climate Change

Rating: 4

Justification of rating

FARMSE design includes no direct implementation targets on climate change adaptation (CCA). However, some implementing partners support CCA practices, especially the Graduation component: (i) Sustainable business models aimed at improved farm income and drought resilience; (ii) combination of savings, lending and climate-smart production systems for sustainable results. The programme will strengthen the environmental sustainability and climate resilience of the targeted beneficiaries' economic activities by promoting community-based financial activities with local economic multiplier effects making the poor less dependent on climatic variability. However, there is no systematic work to sensitize FSPs regarding CCA or provide solutions for CC resilience for agriculture finance.

Main issues

Climate change affects Malawi's mostly rain-fed agriculture, which will eventually impact the efficiency of financial services for agriculture sector. Incorporating climate smart practices in agricultural production will decrease households' vulnerability to climate change as well as financing risk. The project partners including especially NGOs and FSPs should be provided with evidence on CC impact scenarios and recommended solutions, and a related sub-project under IOF W1 or component 3 would be commendable.

b. Sustainability and Scaling up

Institutions and Policy Engagement

Rating: 4

Justification of rating

The programme engaged and supported government and private sector institutions as well as the civil society NGOs, community organisations and Village Loan and Savings groups to provide sustainable financial and non-financial benefits to the rural poor. The programme started identifying policy issues during the engagement process with these institutions, related to access to financial services. However, the institutions and policy-related component 3 requires some strengthening to ensure systematic addressing of gaps and as result tangible improvement of enabling environment for Rural Finance sector – see agreed action under C3.

Main issues

According to the programme design, FARMSE supports the institutional capacity of a wide range of private and not for profit financial service sector and agro-industry institutions and stakeholders to provide sustainable financial and non-financial benefits to the rural poor. Engagement with these institutions, including policy symposium held in Blantyre City looked at the practise, policy, innovations and strategic gaps to improve delivery of financial services to inaccessible areas and the rural poor. E.g. on registration of MSME enterprise owners to act as bank agents for improving access to financial services in the rural areas.

Regarding policy engagements with ultra-poor graduation sector, players in the sector met and discussed policy issues and strategic gaps that once closed will improve rural finance conditions in the country as well as the graduation of the ultra-poor. FARMSE also engaged with IT institutions and mobile network operators to better understand the sector and the policy related challenges that negatively affect their ability to reach out to rural areas with financial related services/packages.

To ensure that the policy work of FARMSE steps up from organizing dialogue and coordination to tangible improvement of the rural finance enabling environment, the Supervision Mission jointly with the PCU and Ministry of Finance have agreed on a structured Strategic Partnerships approach which is detailed above at Component 3.

Partnership-building	Rating: 5	Previous rating: 4
-----------------------------	------------------	---------------------------

Justification of rating

FARMSE's has successfully started to work with a large number of partners: (i) Reserve Bank of Malawi (RBM) on policy matters; (ii) EU, GIZ Ministry of Finance, Economic Planning and Development and the World Bank to understand issues of social cash transfer; (iii) banking sector including FDH, FINCA, FINCOOP and not for profit FSPs and NGOs including COMSIP, Heifer International, CARE, OXFAM and World Relief, to improve delivery of financial services to the rural poor.

Human and Social Capital and Empowerment	Rating: 4
---	------------------

Justification of rating

FARMSE contributes towards development of social capital in communities especially through: (i) CBFOs improve the capacities of the rural women and youth with 44,716 individuals been reached with capacity building and coaching (ii) Training of community facilitators (742 trained and 187 identified) to support CBFOs ensures availability of transferable skills such as financial literacy, enterprise development and mentoring and improves the quality of human capital available; (iii) VSLAs as a social system provides a framework that supports process of learning and interaction, fosters social networks and information exchange, (iv) Component 2.2 will encourage women to take on profitable activities that provide access to social networks beneficial for marketing support and business ties.

Quality of Beneficiary Participation	Rating: 5	Previous rating: 4
---	------------------	---------------------------

Justification of rating

FARMSE and its implementing partners have made considerable efforts to ensure widespread and quality beneficiary participation. Under component 1, FARMSE has reached 12,050 households (81.75% of final target after 2 years of implementation by 31 December 2019). Ultra-poor households are identified based on the Unified Beneficiary Registry ensuring that households particularly vulnerable households with economic opportunities are benefitting. FARMSE established guidelines to ensure effective selection processes. Under component 2.1, 44,715 beneficiaries (9.05% of final target) are accessing CBFO services through self-selection and, under component 2.2, 44,178 clients (133.75% of final target) receive formal financial services based on market-driven self-selection

Main issues

Under component 1, FARMSE already achieved 81.75% of its final target in outreach through operations by four IPs. Selection of ultra-poor households was guided by a guideline developed by FARMSE and included similar steps: 1) Implementing partners conducted sensitization meetings in targeted communities, informing about options to participate, encouraging the participation of women as particularly vulnerable group among the ultra-poor. As a result, 82.4% of the currently enrolled 12,050 households are female headed; 2) Registered households were assessed on their capacity to graduate through wealth ranking tools and/or cross-group selection processes developed by the IPs; 3) Verification of the final participating households were conducted in cooperation with DSPCs. Beneficiaries are empowered to graduate from poverty.

Under component 2.1, FARMSE engaged three service providers which reached a combined 9.05% by 31 December 2019 of the final target. The SPs took similar steps to engage group members: 1) Group sensitization meetings were conducted in communities; 2) Beneficiaries formed or restructured their VSL groups and elected a chair, co-chair and treasury; 3) Finalized groups received support in drafting their own constitutions and training in group dynamics. These steps have most commonly been taken in collaboration with traditional leadership and Area & Village Development Committees. CBFO structures are designed to also serve as conservation platforms for community members to discuss the development of their livelihoods.

Most of self-selected beneficiaries in CBFOs are women (73,28%). This is mainly due to prior microfinance initiatives in the same areas targeting mostly women. VSLGs which are not completely consisting of women only include a minority of men in them. Yet, the elected chair in groups with as little as one participating man was male in the majority of visited groups. Women are commonly elected co-chair and treasurer. The program has the scope to investigate why such community power dynamics persist in the context of female empowerment.

Under component 2.2, FARMSE already exceeded the final target by reaching 44,178 new clients of formal financial services. FSPs implementing with VSLGs used a similar self-selection as under component 2.1. Banks scaling-up financial products for Malawi's rural population usually marketed their products on strategic trading points to increase their number of clients. Most beneficiaries (87.69%) are male indicating that men have easier access to formal products due to higher incomes compared to women. Similarly, to component 2.2, market-driven selection tends to target individuals with high income margins which tend to be out of reach to the average woman.

Responsiveness of Service Providers**Rating: 5****Previous rating: 4****Justification of rating**

The project works with a wide range of service providers in all three components, which are called the Implementing Partners (IPs). These are recruited through competitive calls for concept note proposals. Due to this approach, and due to payments made against progress, in overall the IPs have been satisfactorily responsive to expectations of FARMSE programme and its beneficiaries. This applies to the Graduation component partner NGOs, CBFO component partner NGOs/FSPs, and the IOF component partner FSPs. The review of IP progress reports and the mission field visits to a representative sample of implementation sites show high client satisfaction among the villagers comprising of Ultra Poor and CBFO members.

Environment and Natural Resource Management**Rating: 4****Justification of rating**

Per supervision observations, missing element of E&NRM could negatively impact the project efforts and impact. Some of the Implementing Partners are already promoting good environmental management practices such as reforestation, water conservation, and good soil management practices on a small scale. There is a need for FARMSE to collect best practices from IPs, and promote care of the environment by sensitizing and requiring all IPs to describe how they promote E&NRM.

Main issues

In the villages visited by the supervision mission, deforestation, significant loss of soil fertility, soil erosion, and a loss of biodiversity is experienced, as farmers' have traditionally cleared land for agriculture and charcoal making. Therefore, reforestation and sustainable methods of farming should be promoted by the FARMSE project, through its Implementing Partners. Income-generating activities that are environmentally sustainable should be identified and promoted, therefore decreasing beneficiaries' vulnerability to climate change. Specific financial services, such as community-based savings and loans groups, need also be protected from the risks that climate shocks present. Shocks affecting the entire community can put these community-based savings and loans groups at risk, and a risk management strategy is needed. PMU will ensure that all promoted RF solutions are climate-resilient.

Exit Strategy**Rating: 4****Justification of rating**

FARMSE has yet to develop a separate exit strategy for the programme. Nevertheless, the programme is already implementing activities that are aiming to sustain impact beyond the programme through increased economic opportunities for the ultra-poor, access to advanced financial products through group lending structures, the development of market-ready formal financial products and improved enabling environment. The Mission recommends formalizing these approaches in a more elaborate exit strategy by MTR.

Main issues

FARMSE's efforts to sustain programme impact include: Under component 1, successfully graduated households will be able to sustain themselves and continue engaging in market-related activities. Moreover, linkage to beneficiaries to programmes of IPs under component 2 will ensure continued financial support. Beneficiaries under component 2.1 will gain access to more advanced financial services as their income levels increase through continued membership in SACCOs or by directly accessing services of IPs, e.g. CUMO. FSPs under component 2.2 will develop market-ready products that will be continuously accessible to the rural population nation-wide. And policy support under component 3 will ensure the establishment of an enabling environment for rural finance stakeholders over the long-term.

Agreed Action	Responsibility	Agreed Date
Development of Exit Strategy Development of Exit Strategy Finalization of a comprehensive exit strategy detailing plans to sustain impact under each component	PMU Programme Coordinator	12/2020

Potential for Scaling-up**Rating: 4****Previous rating: 4****Justification of rating**

The project has already been able to promote a number of Rural Finance innovations with high potential for scaling up,

including: digital tools for household training, VCF smallholder lending, digital agent banking, linking CBFOs with formal FSPs and mobile wallet services. In the course of this supervision mission, a structured strategy for the component 3 “Strategic Partnerships, Knowledge and Policy” was agreed upon, which will likely lead to larger scale implementation, beyond the project investments, as well as institutional impact by FARMSE. See details and agreed action under component 3.

c. Project Management

Quality of Project Management	Rating: 4	Previous rating: 4
--------------------------------------	------------------	---------------------------

Justification of rating

The mission observed that the PMUs are staffed with qualified and experienced staff in the various fields including CBFOs, IOF, RF Policy, Finance Management, Procurement, Knowledge Management and M&E. The technical staff are duly supported by general staff. However, grants management specialist is yet to be hired. The programme steering committee is fully functional and providing strategic oversight of FARMSE, including timely review and approval of key documents and reports, including the 2019/2020 AWPB. The PTC has continued to support FARMSE through its technical input in programme implementation.

Main issues

The Programme Management Unit (PMU): is operating as an autonomous entity, which is hosted by the Department of Pensions and Financial Sector Policy Division (DPFSPD), at the Ministry of Finance. The PMU is autonomous (as opposed to the previous mission) regarding the day to day management of programme processes as well as programme payments which has ensured timely delivery of activities and results. Ministry of Finance, Economic Planning and Development has made this possible.

FARMSE continued to implement its activities through the set-up of district councils. The mission observed high ownership for the programme at the district councils. As part of capacity building of the PMU, FARMSE staff attended all planned two IFAD thematic workshops and meetings. The first training workshop was in financial management held in Kenya and attended by two officers from PMU. The second one was a procurement training that was held in South Africa and attended by two PMU staff and procurement officer from Ministry of Finance. Due to high number of issues that needed attention as the programme had just taken off ground, the programme held three instead of two technical review meetings. The PMU facilitated two PSC meetings, which approved the annual progress report and additional grants.

Agreed Action	Responsibility	Agreed Date
Grants Management Specialist/Officer Grants Management Specialist/Officer: Urgently recruit the Grants Management officer in view of increasing number of grants being awarded to implementing partners	PMU	03/2020

Knowledge Management	Rating: 5	Previous rating: 4
-----------------------------	------------------	---------------------------

Justification of rating

FARMSE is in the final stages of developing a comprehensive KM&C plan based on a KM Needs Assessment Survey for the programme prepared by an external consultant. The study was presented to the PCO in 11/2019. The study's recommendations are reflected in the draft KM&C plan which could be strengthened through stronger links to component 3 and M&E. The programme has begun implementing knowledge events and documenting and disseminating learnings from these events, such as rural finance symposiums and cross-learning meetings of IPs. On communication, social media channels and a website have been developed and local media trained on the programme's contents. Further activities are incorporated in the AWPB. The Mission commends the use of branding to increase recognition.

Main issues

KM&C plan: FARMSE is currently finalizing a comprehensive KM&C plan based on a KM Needs Assessment Survey. The survey was presented to the PCO in 11/2019 and focuses mainly on the knowledge products and communication necessary to ensure effective outreach to beneficiaries. Consequently, the KM&C plan is particularly strong in this regard, providing an evidence-based situational analysis and supporting programme implementation through relevant messages to beneficiaries. The plan further elaborates objectives, target audiences on different levels and the implementation of adequate KM&C products for different audiences. The KM&C plan should be further strengthened by identifying governmental stakeholders under component 3 more concretely and including more targeted KM activities to support policy change. The plan would also benefit from a clearer link with the M&E system, mainstreaming issues and a more detailed implementation plan with deadlines and measurable outputs.

Knowledge events and products: FARMSE has begun leveraging events and meetings to create and disseminate learnings. In December 2019, the programme hosted an annual symposium attended by national and international stakeholders to encourage South-South and Triangular Cooperation on rural finance which was attended by representatives of other IFAD-funded programmes among others. A report of the symposium is currently finalized, and local media reported. The programme also started quarterly cross-learning meetings with IPs to exchange lessons from the field. The programme noted that discussions in these meetings need to be steered better to result in relevant learnings for implementation and the mission recommends organizing these meetings around thematic areas of interest to FARMSE and include mainstreaming issues in the IPs' regular reporting through MIS. Insights should then be consolidated in thematic studies. FARMSE is also planning to develop studies on two innovative approaches of the grantees CUMO (mobile banking) and NBS Bank (Access to formal banking through cooperatives).

Communication events and products: The programme organized a media orientation for regional media in November 2019 which resulted in increased media coverage. To sustain these results and maximize visibility and coordination, FARMSE also established a communication officer network of IPs with quarterly meetings. FARMSE's social media presence and website are online but the website has yet to be populated completely. Recognition of the programme is ensured through branding by creating a unique logo and colour code in all publications and across platforms. Diverse information material such as brochures have also been procured. All KM&C activities are included in the AWPB as central planning tool.

Agreed Action	Responsibility	Agreed Date
KM&C plan improvements KM&C plan improvements: Further strengthen the KM&C plan by clearer links to component 3, the M&E system, mainstreaming issues, and a more detailed implementation plan	PMU KM Specialist	03/2020
Ensure thematic reporting in cross-learning meetings & Develop planning for thematic studies Ensure thematic reporting in cross-learning meetings & Develop planning for thematic studies: Ensure that IPs are starting to report on thematic areas relevant to FARMSE, such as mainstreaming issues, in cross-learning studies & MIS and develop a plan for publication of thematic studies in KM&C	PMU KM Specialist and PMU M&E Specialist	03/2020
Finalize population of FARMSE website Finalize population of FARMSE website: Engage all technical leads of the PMU to ensure timely and quality population of website	PMU KM Specialist, Technical Specialists	03/2020

Value for Money

Rating: 4

Previous rating: 4

Justification of rating

Based on detailed analysis of July-December 2019 activities by the CBFO IPs, the value for money is moderately satisfactory. In overall implementation and procurements are according to agreements, however some activities are implemented with delays, and in few cases inputs could not lead to desired results because of limited quality of service delivery.

Main issues

The mission conducted a detailed VfM review for funds to CBFO Implementing Partners (IPs). Disbursed amounts were MK635,407,634 (82% annual budget achievement) to the three IPs as follows:

- **COMSIP** disbursed amount K130,220,160. Between July 2019 to December, COMSIP achieved 100% and above on six of the 12 planned activities under review and other activities it has embarked on the activities signifying high value for money. Project implementation is efficient and the project investments represents good value for money. Most project activities are implemented within schedule, and some ahead of time.
- **Heifer International** disbursed amount K205,503,866. Implementation of activities under Heifer International is deemed insufficiently efficient, since many of the project activities are implemented with delays. The first two out of total five planned activities are still ongoing, while the remaining three have not yet started. Delays arose due to delayed approvals from Heifer HQ. PMU supervision should ensure that the remaining of implementation is timely and on budget.
- **MUSCCO** disbursed amount K299,683,609. Implementation of most activities under MUSCCO completed within

the stated period. However, the mission team noted some lapses in terms quality of delivery because the staffing level and numbers were deemed inadequate for effective delivery of the outputs, hence the project resources and inputs may not be converted into desired result.

Coherence between AWPB and Implementation

Rating: 5

Previous rating: 4

Justification of rating

FARMSE performs well in its budget execution and implementation of activities after initial delays noticed by the previous supervision mission. As of December 2019, the programme achieved 45% of its annual budget and 59.2% of overall physical progress in the implementation of planned activities in the financial year 2019/2020. Challenges of budget execution remain in component 2.2 and 3.1.

AWPB Inputs and Outputs Review and Implementation Progress

FARMSE is on track to achieve a high disbursement rate in the on-going financial year 2019/2020. Budget execution at the annual mid-point is displayed in the table below:

Programme Component	Allocated Budget (MKW)	Expenditure to Dec 2019 (MKW)	Execution (%)
Component 1	1,839,001,825	883,756,354	48
Component 2.1	1,084,201,249	625,775,433	58
Component 2.2	2,190,186,901	770,651,888	35
Component 3.1	16,050,400	2,027,930	13
Component 3.2	60,715,925	32,714,160	54
Component 4	675,824,506	297,455,388	44
Total	5,865,980,806	2,612,381,152	45

As displayed, overall execution stood at 45% at 31 December 2019 with particularly component 1, 2.1, 3.2 and 4 performing well. Issues remain in component 2.2 with an execution rate of 13% and component 3.1 with an execution rate of 35% in the same reporting period. These challenges are in line with the overall difficulties of FARMSE to increase engagement of FSPs through IOF financing windows under component 2.1 and unclear objectives of policy involvement under component 3.1 as expressed by FARMSE specialists.

Physical implementation of the programme at 31 December 2019 is shown below:

Programme Component	Activities (#)	Execution (%)
Component 1	8	32.9
Component 2.1	9	54.3
Component 2.2	5	52.6

Component 3.1	1	67
Component 3.2	18	82.7
Component 4	17	65.4
Total	58	59.2

Overall FARMSE is performing well with 59.2% of activities completed at mid-point in the financial year. Despite the high physical performance under component 3.1, FARMSE only planned and implemented one activity for 2019/2020. This is in line with the low disbursement rate of 13% for the component as more activities need to be planned to increase execution. The relatively low physical performance compared to the disbursement rate under component 1 is an indicator for the good progress of the already selected implementing partners as most pending tasks are related to the selection of new partners and trainings that are to commence within March 2020.

Finally, the Mission notes that there are incoherencies between the number of activities planned as well as data points indicated in the semi-annual progress report and AWPB-file provided by FARMSE. Furthermore, the AWPB has yet to be updated to function as tool for programme steering. The Mission strongly recommends aligning documents providing information on progress and keeping these up to date on a monthly basis. The Mission has worked with the programme's M&E Specialist to ensure completion of this task prior to the end of the Mission.

Agreed Action	Responsibility	Agreed Date
AWPB Update AWPB Update: Ensure coherency between AWPB and Annual Progress Reports as well as update AWPB to contain all physical progress and financial information.	PMU M&E Specialist	03/2020

Performance of M&E System

Rating: 4

Previous rating: 4

Justification of rating

The Mission acknowledges significant progress on the following elements of the M&E system: 1) Data collection of the baseline survey has been completed although the baseline report has yet to be submitted; 2) An M&E plan has been drafted; 3) The MIS has been developed and is awaiting final adjustments; 4) The log-frame has been uploaded in ORMS and is updated regularly. FARMSE has also established reporting lines with its grantees which have started submitting quarterly-reports to FARMSE PCO on output and outcome indicators. Nevertheless, the comprehensiveness of submitted data varies among grantees and especially FSPs only collect limited data on impact

M&E System Review

M&E system Review

Log-frame: The log-frame was approved in ORMS and is updated regularly. At this stage of the programme, especially output data is available and reported on by partners. Nevertheless, the Mission noticed incoherencies between the ORMS, PDR and FARMSE-owned log-frame. Furthermore, indicators were not disaggregated according to gender and youth, although FARMSE annual reports contain data on gender and youth. Based on the ORMS approved log-frame, a coherent version of the log-frame was established in collaboration with the Mission. See details below under section "Modifications".

M&E Plan: FARMSE has developed an M&E plan which includes the log-frame, coding of indicators, responsibilities of stakeholders, reporting lines, data management and an implementation plan. The programme plans to discuss this document with implementers and train service providers on the M&E plan together with training on the MIS. Yet, the draft M&E plan needs to be further elaborated regarding reporting lines and times, timing of means of verification, a more detailed implementation plan, responsibilities of each stakeholder in the M&E process, alignment with national policies, linkage to KM, policy dialogue and partnership management (Component 3) and incoherencies of indicators between log-frame and M&E plan. The M&E Specialist has been invited to attend a M&E plan training organized by IFAD in Malawi after the Mission

Reporting: FARMSE has established reporting lines with its grantees which have started submitting quarterly-reports to FARMSE PCO on mainly output, but also outcome indicators. For this purpose, the programme developed standardized

reporting templates. The comprehensiveness of submitted data and structure of the reports, however, vary among grantees. It is recommended to address such issues at this early stage of the programme and ensure coherency of reporting by sharing best practice examples with the grantees and demanding additional information where it is not provided. The Mission also noticed that the narrative reports are not conducive to identify lessons on mainstreaming issues. The Mission thus recommends including further qualitative questions on impact of FARMSE's implementation on gender relationships and climate resilience in the reports.

The programme noted that FSPs implementing under Component 2.2 often do not have adequate experience in the management of donor-funded programmes and thus do not report on social impact. The Mission has noticed in the progress report that these stakeholders indeed report mostly on output indicators. Through conversation with the grantee NBS Bank, the Mission further noticed that these grantees may already collect data on impact, e.g. increase in smallholder income, loan portfolios at risk that could indicate impact. In accordance with the PDR, FARMSE should develop project-based indicators that can measure impact on the beneficiaries and report on such indicators in annual progress reports. FARMSE M&E specialist should elaborate with each grantee about data availability for and data collection needs of FARMSE for this purpose.

Baseline: Data collection for the baseline has been completed in January 2020 with a three-month delay due to delays in the identification of beneficiary households. The final report has not yet been received by the programme and was not available to the Mission.

MIS: FARMSE has developed an MIS system which will facilitate data collection through tablets and analysis through the automatic aggregation of data. The system was discussed with grantees which led to further improvements of the system. Complete roll-out is expected in March 2020.

Agreed Action	Responsibility	Agreed Date
Log-frame Log-frame: (i) Ensure coherency of log-frame across programme documents; (ii) Update log-frame with baseline data and submit to IFAD for ORMS input	PMU M&E Specialist	03/2020
M&E plan M&E plan: Elaborate draft M&E plan regarding reporting lines and times, timing of means of verification, a more detailed implementation plan, responsibilities of each stakeholder in the M&E process, alignment with national policies, linkage to KM, policy dialogue and partnership management (Component 3) and incoherencies of indicators between log-frame and M&E plan	PMU M&E Specialist	03/2020
MIS roll-out and training MIS: Finish roll-out and training of grantees and ensure relevancy to field operations	PMU M&E Specialist	03/2020
Reporting - All Components Reporting - All Components: Adjust reporting templates to include links to KM and mainstreaming issues	PMU M&E Specialist and KM Specialist	04/2020
Reporting – Component 2.2: Reporting – Component 2.2: Elaborate with each grantee about data availability for and data collection needs of FARMSE to identify adequate indicators of social impact	PMU M&E Specialist	05/2020

Requirements of Social, Environmental and Climate Assessment Procedures (SECAP)

Rating: 3

Previous rating: 3

Justification of rating

The crosscutting targeting of gender and youth was included in the targeting strategy. The targeting strategy included

432,774 beneficiaries, of which at least 45% will be women, and at least 20% will be youth. Climate change, environment, and nutrition were not explicitly targeted in the design. However, nutrition, environmental, and climate adaptation processes are being promoted by some Implementing partners through Component 1 and 2 (as discussed in relevant sections of this report). The project will benefit from climate risk analysis, which was done by the University of Cape for Malawi. The Environmental Social Management Framework will be developed by the PMU with support from IFAD.

SECAP Review

The SECAP Review Note in PDR has explicitly provided an overview of the social, natural resource, environmental, and climate issues of Malawi, which provides an essential base for the project. The environmental and social classification as indicated in the SECAP review note is B and climate risk category as medium because there are no large infrastructure or industrial investments that would have a negative impact on communities. The mitigation measures against any climate shocks on the project are also indicated in the SECAP. The key measures include:

- Sensitization and technical training on environmental aspects for all Implementing partners
- Development of an Environment and Social Management Framework (ESMF)
- Implementation of the ESMF as part of the overall M&E system of FARMSE
- The Implementing partners' activities must comply with national laws, regulations, and the exclusion list of the International Finance Corporation
- PMU to establish a FARMSE grievance redress mechanism for any grievances and conflicts

Agreed Action	Responsibility	Agreed Date
SECAP measures SECAP measures: Implement the required SECAP measures as summarized in the main report.	PMU/IFAD	12/2020

d. Financial Management & Execution

Acceptable Disbursement Rate

Rating: 4

Previous rating: 2

Justification of rating

The project is in its 2nd year of implementation and the disbursement rate on IFAD financing is 23.1% mostly in line with the disbursement profile.

Main issues

Disbursement rate on both the IFAD loan and grant financing is at 23%. In the 2019/20 budget a total of US\$6.035 million was planned to be disbursed in form of grants and 55% of this amount has been disbursed. With five months remaining to the end of the financial year, the remaining 45% is likely to be disbursed and improve further the disbursement rate.

The programme continues to submit withdrawal applications on quarterly basis and the current level of authorised allocation of US\$3million is deemed adequate.

Agreed Action	Responsibility	Agreed Date
funds flow arrangements Change bank signing mandate for operational account	PFSPD	04/2019
AA Management Request disbursement of US\$1million of the US\$3 million Authorized Allocation from IFAD to fund projected grant disbursements from May 2019	FC	04/2019

Fiduciary aspects

Quality of Financial Management

Rating: 4

Previous rating: 5

Justification of rating

The PMU has maintained adequate accounting and financial reporting systems by ensuring completeness, accuracy and timeliness of financial reports. The internal control environment is adequate.

Main issues

Accounting and Financial Reporting: The accounting system captures transactions by category, component and financier. The PMU submitted half-yearly interim financial statements to IFAD timely. Matching grants cash and in-kind contributions from the grant recipients under component 1 and component 2 were appropriately recorded and reported the under private sector contributions in the accounting software. Tracking of paid grants and commitments to IPs is done manually on excel sheets and the mission noted that payments were not updated on some contracts monitoring sheets.

Internal Controls: The PMU has updated the Financial Management manual and it provides adequate guidance on FM processes. Bank reconciliations on special accounts and operational accounts are done timely and accurately. Advances of programme funds are liquidated in a timely manner and at the time of the mission, outstanding advances amounted to \$11,414 and were less than 30 days. The PMU conducted detailed due diligence on Implementing Partners (IPs) before disbursement of the grants to ascertain the adequacy of their financial management systems and governance structures. The mission reviewed the financial returns of two IPs, Heifer International and World Relief and the quality of financial management systems and internal control environment were deemed adequate to meet the functional needs of the project. The PMU should strengthen internal controls in the following areas: Automate the assigning of the reference number of payment vouchers generated by its accounting software to match the cheque number in reflected in the system. The mission noted a discrepancy between cheque reference numbers on file from the one in the accounting system during the SOE reviews; the programme to ensure that all programme assets bought using project funds are properly tagged and recorded in the PMU or grantees fixed assets registers. Internal audit review of expenditures highlighted missing purchase requisition forms for purchased items. The programme has adequate budgetary controls in place and monitors actual against budget expenditures up to activity level.

Follow up last supervision mission recommendations: The PCU implemented three out the six recommendations,; update of the Financial Management Manual, increase of the unauthorised allocation and recruitment of grants manager. On the installation of a procurement module, the PCU installed a purchasing module whose functionality does not include contract management and commitments tracking. The mission recommends that the service provider of the procurement module should provide a system to ascertain its functionality before buying it.

The following recommendations of the last mission are yet to be implemented (i) tagging of programme assets with unique identification codes (i) implementing the procurement module with functionality of contracts and commitments management in ACCPAC (ii) coding of grant beneficiaries in the accounting software. The programme has adequate budgetary controls in place and monitors actual against budget expenditures up to activity level.

Agreed Action	Responsibility	Agreed Date
Grants management Engage grant officer/consultant to coordinate and manage grant contracts with grant recipients - This recommendation was repeated twice.	Programme Director	04/2019
Management of commitments Activate the Procurement module in ACCPAC accounting software to automate the capture, monitoring and reporting of programme financial commitments	FC and Procurement Specialist	05/2019
Finalize PIM Draft a complete Financial Management Manual consolidating the draft Accounting Manual, draft PIM and Accounting Operational Guidelines with key focus on how to execute key decision processes	FC	05/2019
Tagging of programme assets with unique identification codes and conducting physical verification annually.	Financial Controller	03/2020
Grantees shall be coded in the chart of accounts under programme activities to facilitate control and monitoring of the amounts disbursed to them.	Financial Controller	03/2020
Activate the Procurement module in ACCPAC accounting software to automate the capture, monitoring and reporting of programme financial commitments.	Financial Controller/ Procurement Specialist	03/2020
Automate the assigning of voucher reference to match the cheque number as captured in the accounting system.	Financial Controller	03/2020

Quality and Timeliness of Audit

Rating: 5

Previous rating: 4

Justification of rating

The first audit has been submitted to IFAD on time and the quality is satisfactory. Some improvements required in the financial reporting.

Main issues

The Audited Financial Statements and the Management Letter for the Financial Access for Rural Markets, Smallholders and Enterprise (FARMSE) programme were received on time. The audit coverage was complete and the financial statements were informative.

The audit was performed by the National Audit Office of Malawi in accordance with International Standards of Supreme Audit Institutions (ISSAIs). The auditor expressed an unqualified opinion on the Compliance with Loan Agreement, the Designated Account and the Project's Financial Statements, that were prepared in accordance with IPSAS, on Cash Basis of accounting.

The Quality of Audit work was assessed as Satisfactory, as the Financial Statements are detailed and well presented. To be more specific, expenditures are expressed by Category, by Component and by Financier, and it was possible to reconcile with IFAD's records.

Areas in need of improvement were include:

- In order to improve the quality and adequacy of the Financial Statements in the the future it is necessary to assign Government financed expenditures to cost categories.
- The Management Letter was detailed and informative. The auditor observed that IFAD funds were used for paying taxes

for an amount of approx USD 10,000 equivalent. There is an agreement with the Malawi Revenue Authority (MRA) that all VAT pre-financed by project funds would be refunded on a quarterly basis.

- The Project follows cash basis of accounting and correctly discloses commitments/liabilities in the notes. The same should be done for the receivables, especially MRA.

- For next year the project is invited to submit un-audited annual financial statements within the stipulated deadline (31st Oct).

Agreed Action	Responsibility	Agreed Date
Verify the refund of outstanding VAT from MRA It was agreed between the project and the Malawi Revenue Authority that project funds that had been used to finance VAT would be refunded on a quarterly basis. The total outstanding amount of MK 7,655,787 was expected to be refunded by 30 September 2019. The compliance with this agreement is to be verified.	PMU/FM	09/2019

Counterparts Funds

Rating: 2

Previous rating: 4

Justification of rating

Counterpart funding is rated unsatisfactory due to no cash contribution from GoM to the project (out of USD 3 Million committed) and the limited contribution in form of tax waivers and VAT refunds which as of February 2020 were at \$147,000 out of USD 6.6million, 2.2% of the allocation. MRA has not refunded VAT amounting to USD19, 554.

Main issues

MRA has not released any amount towards VAT refunds since the start of the Fiscal Year. The experience in other programmes within the IFAD portfolio in the country that have surmounted this challenge shows that allocation of dedicated project desk officer at MRA speeds up the VAT refund process. The mission recommends more collaboration of Malawi IFAD programmes for the purposes of knowledge sharing and strengthening the portfolio.

According to the design GoM is expected to contribute USD 9.6 million (17%) out of which about USD 6.5 million (11%) will finance taxes and some duties. To date duties and VAT claims have amounted to \$167,000 and the project estimates that closing date of the programme, this amount will be around below US\$500,000 at the PMU level vs allocation of US\$6.5million. The design had envisaged that all procurement financed from proceeds of the IFAD grant be exempt from national and local duties and taxes. With substantial funding going through IPs under component one and two, the Financial Controller should ensure that their tax exemptions for the procurement of goods for the Programme are secured at the appropriate time. Such tax exemptions will be accounted for government contribution.

Accounting for the social cash transfer contribution is currently based on estimates. The government has a database of the social cash transfer beneficiaries. To facilitate accurate reporting, the government should provide the actual listing from the database to the PMU or grant access to the PMU to query the database to extract FARMSE social cash transfer beneficiaries listing on monthly basis.

Agreed Action	Responsibility	Agreed Date
Secure tax exemptions for the procurement of goods for the programme for all IPs under component 1 and component 2 and account for it as government counterpart contribution in accordance with FARMSE PDR	Financial Controller	04/2020
PMU/Ministry of Finance to engage MRA assign a desk officer for FARMSE to ensure that VAT refunds by FARMSE are budgeted for and released to the project timely	PMU/Ministry of Finance	04/2020

Compliance with Loan Covenants

Rating: 5

Previous rating: 4

Justification of rating

The Programme is compliant with key financing covenants and the identified non-compliance was with respect non-submission of un-audited financial statements within four months of the end of the previous Fiscal Year. This may not negatively affect the programme in achieving development objectives and in meeting IFAD's statutory requirements

Procurement

Procurement

Rating: 4

Previous rating: 4

Justification of rating

Procurement is rated moderately satisfactory. As of the time the supervision mission with five months left before the end of the financial year, 62% of procurement activities were concluded, 25% had yet not been initiated and 13% were in progress. The procurement plan was not updated consistently with revised dates start dates of delayed activities. The IPs recruited by FARMSE were trained on procurement guidelines, but there is no system to monitor their procurements at the PMU level. For PMU procurements, contracts monitoring and management needs to be strengthened by tracking deliverables on the contracts monitoring forms by assigned contract managers. The PMU should ensure the accuracy of submitted documents for IFAD's NO to avoid procurement delays as was the case in the December 2019 submission for recruitment of IPs.

Procurement Review

(i) The procurement plan had 10 procurements of goods and 6 procurements of consultancies. Eight procurement of goods were completed. Four consultancies had been initiated. The procurement plan however was not up to date especially in reflecting the relaunch of procurement steps in cases of delays as the plans are not updated to reflect the new planned dates. The PMU is encouraged to strengthen the procurement planning by consistent updates and upgrades for both the PMU activities and those of IPs to coordinate the monitoring of FARMSE procurement activities.

(ii) The Programme is strongly encouraged to strengthen contract management. The mission recommends that the Programme appoints a contract manager from technical staff for each contract signed, under the coordination of the Procurement Specialist to strengthen the capacity of the Programme to monitor contract implementation. For example, the consultancy contract for baseline survey had expired without the consultant having delivered the final report and without the Programme having submitted a contract addendum before expiration. Contract managers must also use contract-monitoring forms to track deliverables under each contract.

(iii) A review of the procurement processes highlighted an instance where 3 procurement activities of goods were merged into a single procurement package and although the two activities were to be purchased using RFQ method and the PP had indicated NCB method for the other activity. The combined package amounted to US\$26,000 and should have used more competitive method of NCB in line with the approved procurement plan not the RFQ. The actual tendered amount was \$14,000. The PCU is encouraged to adhere to approved procurement method, or upgrade the PP having sought IFAD's NO when there is need to modify an approved PP method.

(iv) During the review of contract negotiation and minutes of negotiations for IPs contracts, the mission noted that when FARMSE sends out intent of notice to award contract to potential service providers, there are usually some condition precedent to contract award. However, the process to assess compliance of the set conditions by the IPs is not documented, hence there are no formal triggers to contract award. This may expose the project to award contracts even when there is non-compliance. The mission recommends that the grant management manual be updated with appropriate steps to strengthen contracting.

(v) During the last supervision mission, it was recommended that IFAD and GoM review whether the volume of work in the 2019/20 AWPB would require that FARMSE hires a procurement assistant to support the project. The mission has assessed the current volume of procurements mostly for IPs services in addition to the motoring and coordination role of procurement activities for IPs and recommends that the PMU engages the services of a suitably qualified Procurement Assistant to strengthen the PMU procurement unit. The contract be planned to end at the completion of implementations by IPs.

(vi) Progress on agreed actions is moderately unsatisfactory as the recommendation to assess the need for additional staff in the procurement unit was contingent upon the monitoring of the current AWPB implementation. Additionally, the deployment of Procurement module was not done effectively and this has impacted contracts monitoring and commitments management

Agreed Action	Responsibility	Agreed Date
Revision of the Procurement Plan Revision of the Procurement Plan: Remove items that will not be procured in the current year or revise the procurement dates of procurement activities not yet initiated. Seek IFAD's approval for update or upgrade	Procurement Specialist	03/2020
Monitor Procurement Plans of IPs Monitor Procurement Plans of IPs. The PMU should monitor Procurement plans of IPs to ensure programme milestones are met	Procurement Specialist	03/2020
Appointment of Contract Managers Appointment of Contract Managers. Programme Coordinator to systematically appoint a contract manager for ongoing projects and each contract signed, under the coordination of the procurement specialist	Programme Coordinator/Procurement Specialist	03/2020
Contract Monitoring Forms Contract Monitoring Forms. Ensure that contract managers use contract monitoring forms to track deliverables under each contract	PC	03/2020
Update the Grant Management Guidelines Update the Grant Management Guidelines. To compliance steps to trigger issuance of contracts to IPs after notice of contract award	PC	03/2020
ACCPAC Procurement Module ACCPAC Procurement Module. Install ACCPAC procurement module with functionality of contract monitoring and commitments management	Procurement Specialist/Financial Controller	03/2020
Procurement Assistant Procurement Assistant. Engage the services of a suitably qualified Procurement Assistant in view of the current procurement workload	PMU/MoFEPD	08/2020

e. Key SIS Indicators

Likelihood of Achieving the Development Objective	Rating: 4	Previous rating: 4
--	------------------	---------------------------

Justification of rating

Actual progress indicates that the programme is likely to achieve its development objectives

Assessment of the Overall Implementation Performance	Rating: 4	Previous rating: 4
---	------------------	---------------------------

Justification of rating

After initial delays the programme has made significant progress

F. Agreed Actions

Agreed Action	Responsibility	Agreed Date
Overview and Project Progress		
Strengthen CBFO reporting Include in the reports (i) existing CBFOs in target areas; (ii) CBFOs strengthened; (iii) new CBFOs established.	PMU and CBFO partner organizations	03/2020
Nutrition, food security Incorporate nutrition messaging within the Graduation packages	PMU and Graduation IPs	04/2020
Supervise MUSCCO grant implementation system PMU to (i) supervise MUSCCO WP & Budget implementation including through field visits, (ii) submit report to IFAD by 15 May 2020, (iii) based on findings, agree with IFAD on way forward.	PMU / MUSCCO	05/2020
Improve IOF M&E and reporting (i) Include in M&E the layers: FSP performance, outreach to rural people, and development impact at smallholder level; (ii) Strengthen IOF sections of PMU progress reports.	PMU	05/2020
Improve Component 3.2 implementation arrangement Structure the implementation by establishing Strategic Partnerships (SP) with concrete deliverables and AWPBs for each SP	PMU	05/2020
Revitalize the SLG TWG Exchange on CBFO development best practices and update guidelines	PMU and CBFO partner organizations	07/2020
Develop the pipeline and assure quality of CBFO sub-projects Within 2020, deploy 2 more calls for proposals and start new CBFO sub-projects accumulating at least 50% of the outreach targets. Quarterly supervision of quality by visiting randomly selected CBFOs	PMU	12/2020
Build pipeline for IOF Window 1 and Window 2 (i) targeted communications and call for proposals only to W1&2 during 2020, (ii) increase W2 max amount to USD 200 000.	PMU	12/2020
Benchmark cost per beneficiary Discuss and agree between IPs a benchmark cost per graduation	PMU and Graduation IPs	06/2021
Development Effectiveness		

Household Methodology approach approach to be integrated within the package for supporting households in component 1	Social inclusion focal person and Graduation IPs	04/2020
Gender and Youth Strategy Gender and Youth Strategy with actions across all the program components developed by consultant. Gender training for all PMU & MoFEPD staff.	Social inclusion focal person	04/2020
Targeted Nutrition messages Targeted Nutrition messages to the needs of the beneficiaries. Revise and disseminate the nutrition messaging to target the specific needs of the communities like savings for food	PMU/IPs	05/2020
Sustainability and Scaling up		
Development of Exit Strategy Development of Exit Strategy Finalization of a comprehensive exit strategy detailing plans to sustain impact under each component	PMU Programme Coordinator	12/2020
Project Management		
Grants Management Specialist/Officer Grants Management Specialist/Officer: Urgently recruit the Grants Management officer in view of increasing number of grants being awarded to implementing partners	PMU	03/2020
KM&C plan improvements KM&C plan improvements: Further strengthen the KM&C plan by clearer links to component 3, the M&E system, mainstreaming issues, and a more detailed implementation plan	PMU KM Specialist	03/2020
Ensure thematic reporting in cross-learning meetings & Develop planning for thematic studies Ensure thematic reporting in cross-learning meetings & Develop planning for thematic studies: Ensure that IPs are starting to report on thematic areas relevant to FARMSE, such as mainstreaming issues, in cross-learning studies & MIS and develop a plan for publication of thematic studies in KM&C	PMU KM Specialist and PMU M&E Specialist	03/2020
Finalize population of FARMSE website Finalize population of FARMSE website: Engage all technical leads of the PMU to ensure timely and quality population of website	PMU KM Specialist, Technical Specialists	03/2020
AWPB Update AWPB Update: Ensure coherency between AWPB and Annual Progress Reports as well as update AWPB to contain all physical progress and financial information.	PMU M&E Specialist	03/2020

Log-frame Log-frame: (i) Ensure coherency of log-frame across programme documents; (ii) Update log-frame with baseline data and submit to IFAD for ORMS input	PMU M&E Specialist	03/2020
M&E plan M&E plan: Elaborate draft M&E plan regarding reporting lines and times, timing of means of verification, a more detailed implementation plan, responsibilities of each stakeholder in the M&E process, alignment with national policies, linkage to KM, policy dialogue and partnership management (Component 3) and incoherencies of indicators between log-frame and M&E plan	PMU M&E Specialist	03/2020
MIS roll-out and training MIS: Finish roll-out and training of grantees and ensure relevancy to field operations	PMU M&E Specialist	03/2020
Reporting - All Components Reporting - All Components: Adjust reporting templates to include links to KM and mainstreaming issues	PMU M&E Specialist and KM Specialist	04/2020
Reporting – Component 2.2: Reporting – Component 2.2: Elaborate with each grantee about data availability for and data collection needs of FARMSE to identify adequate indicators of social impact	PMU M&E Specialist	05/2020
SECAP measures SECAP measures: Implement the required SECAP measures as summarized in the main report.	PMU/IFAD	12/2020
Financial Management & Execution		
Grants management Engage grant officer/consultant to coordinate and manage grant contracts with grant recipients - This recommendation was repeated twice.	Programme Director	04/2019
funds flow arrangements Change bank signing mandate for operational account	PFSPD	04/2019
AA Management Request disbursement of US\$1million of the US\$3 million Authorized Allocation from IFAD to fund projected grant disbursements from May 2019	FC	04/2019

Management of commitments Activate the Procurement module in ACCPAC accounting software to automate the capture, monitoring and reporting of programme financial commitments	FC and Procurement Specialist	05/2019
Finalize PIM Draft a complete Financial Management Manual consolidating the draft Accounting Manual, draft PIM and Accounting Operational Guidelines with key focus on how to execute key decision processes	FC	05/2019
Verify the refund of outstanding VAT from MRA It was agreed between the project and the Malawi Revenue Authority that project funds that had been used to finance VAT would be refunded on a quarterly basis. The total outstanding amount of MK 7,655,787 was expected to be refunded by 30 September 2019. The compliance with this agreement is to be verified.	PMU/FM	09/2019
Revision of the Procurement Plan Revision of the Procurement Plan: Remove items that will not be procured in the current year or revise the procurement dates of procurement activities not yet initiated. Seek IFAD's approval for update or upgrade	Procurement Specialist	03/2020
Monitor Procurement Plans of IPs Monitor Procurement Plans of IPs. The PMU should monitor Procurement plans of IPs to ensure programme milestones are met	Procurement Specialist	03/2020
Appointment of Contract Managers Appointment of Contract Managers. Programme Coordinator to systematically appoint a contract manager for ongoing projects and each contract signed, under the coordination of the procurement specialist	Programme Coordinator/Procurement Specialist	03/2020
Contract Monitoring Forms Contract Monitoring Forms. Ensure that contract managers use contract monitoring forms to track deliverables under each contract	PC	03/2020
Update the Grant Management Guidelines Update the Grant Management Guidelines. To compliance steps to trigger issuance of contracts to IPs after notice of contract award	PC	03/2020
ACCPAC Procurement Module ACCPAC Procurement Module. Install ACCPAC procurement module with functionality of contract monitoring and commitments management	Procurement Specialist/ Financial Controller	03/2020

Tagging of programme assets with unique identification codes and conducting physical verification annually.	Financial Controller	03/2020
Grantees shall be coded in the chart of accounts under programme activities to facilitate control and monitoring of the amounts disbursed to them.	Financial Controller	03/2020
Activate the Procurement module in ACCPAC accounting software to automate the capture, monitoring and reporting of programme financial commitments.	Financial Controller/ Procurement Specialist	03/2020
Automate the assigning of voucher reference to match the cheque number as captured in the accounting system.	Financial Controller	03/2020
Secure tax exemptions for the procurement of goods for the programme for all IPs under component 1 and component 2 and account for it as government counterpart contribution in accordance with FARMSE PDR	Financial Controller	04/2020
PMU/Ministry of Finance to engage MRA assign a desk officer for FARMSE to ensure that VAT refunds by FARMSE are budgeted for and released to the project timely	PMU/Ministry of Finance	04/2020
Procurement Assistant Procurement Assistant. Engage the services of a suitably qualified Procurement Assistant in view of the current procurement workload	PMU/MoFEPD	08/2020

Financial Access for Rural Markets, Smallholders and Enterprise Programme

Logical Framework

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2019)	Cumulative Result (2019)	Cumulative Result % (2019)	Source	Frequency	Responsibility	
Outreach	1 Persons receiving services promoted or supported by the project							Implementing partner's & PMU progress reports	Annual	Implementing partners & PMU	Stable political environment (A)
	Females			194 748	44 786	44 786	23				
	Males			238 026	56 158	56 158	23.6				
	Young			86 554	39 448	39 448	45.6				
	Not Young			346 220	61 496	61 496	17.8				
	Total number of persons receiving services			432 774	100 944	100 944	23.3				
	1.a Corresponding number of households reached							Implementing partner's & PMU progress reports	Annual	Implementing partners & PMU	
	Women-headed households			194 748	44 786	44 786	23				
	Non-women-headed households			238 026	56 158	56 158	23.6				
	Households			432 774	100 944	100 944	23.3				
	1.b Estimated corresponding total number of households members							Implementing partner's & PMU progress reports	Annual	Implementing partners & PMU	
	Household members			1 904 205	444 154	444 154	23.3				
Project Goal To reduce poverty, improve livelihoods and enhance the resilience of rural households on a sustainable basis.	Reduced prevalence of chronic malnutrition among under five children by at least 15%										Stable political & macroeconomic environment (A)
	Share of children under five nationally					0					
	Improved households assets ownership index by at least 20%										

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2019)	Cumulative Result (2019)	Cumulative Result % (2019)	Source	Frequency	Responsibility	
	Households					0					
Development Objective Increased access to and use of a range of sustainable financial services by rural households and micro, small, and medium enterprises.	Graduation strategy and systems developed, tested at scale, and approved by GOM										Stable political & macroeconomic environment; GOM monetary/fiscal and macro-economic reforms are conducive to poverty reduction; Commitment of stakeholders (GOM, donors & pvt sector) to participate in poverty reduction efforts (A)
	systems		1	1		0	0				
	Improved outreach of sustainable rural financial services to rural poor.										
	services		328 000	417 774	88 894	88 894	21.3				
	Females		147 600	187 998	34 852	34 852	18.5				
	Males		180 400	229 776	54 042	54 042	23.5				
	Young		65 600	83 555	36 935	36 935	44.2				
	Not Young		262 400	334 219	51 959	51 959	15.5				
	1.2.5 Households reporting using rural financial services										
	Males		180 400	229 776	54 042	54 042	23.5				
	Females		147 600	187 998	34 852	34 852	18.5				
	Young		65 600	83 555	36 935	36 935	44.2				
	Not Young		262 400	334 219	51 959	51 959	15.5				
	Households		328 000	417 774	88 894	88 894	21.3				
Outcome Outcome 1.1: Capacity of ultra-poor households to graduate from poverty, improve food security and secure livelihood opportunities is improved	At least 80% of targeted households attain food security										Stakeholders agree to roll out GOM graduation model (A); and no effective strategy in place targeting women and youths (R)
	Households		60	80		0	0				
	1.2.8 Women reporting minimum dietary diversity (MDDW)										
	Women (%)		65	75		0	0				

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2019)	Cumulative Result (2019)	Cumulative Result % (2019)	Source	Frequency	Responsibility	
Output Output 1.1.1: Government graduation model rolled out	Number of households reached with graduation activities										Stakeholders agree to roll out GOM graduation model (A); and no effective strategy in place targeting women and youths (R)
	Households		15 000	15 000	12 050	12 050	80.3				
	Females		6 750	6 750	9 934	9 934	147.2				
	Males		8 250	8 250	2 116	2 116	25.6				
	Young		3 000	3 000	2 513	2 513	83.8				
	Not Young		12 000	12 000	9 537	9 537	79.5				
	1.1.7 Persons in rural areas trained in financial literacy and/or use of financial products and services										
	Females		6 750	6 750	0	0	0				
	Males		8 250	8 250	0	0	0				
	Young		3 000	3 000	0	0	0				
	Not Young		12 000	12 000	0	0	0				
	Persons in rural areas trained in FL and/or use of FProd and Services (total)		15 000	15 000	0	0	0				
	1.1.8 Households provided with targeted support to improve their nutrition										
	Males		8 250	8 250	0	0	0				
	Households		15 000	15 000	0	0	0				
	Females		6 750	6 750	0	0	0				
	Young		3 000	3 000	0	0	0				
	Not Young		12 000	12 000	0	0	0				

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2019)	Cumulative Result (2019)	Cumulative Result % (2019)	Source	Frequency	Responsibility	
Outcome Outcome 2.1: Improved access to structured and sustainable CBFO financial services	Number of retrained CBFO members										Sufficient demand from CBFO support organisations (A) and poor level of client uptake (R)
	Number of retrained CBFO members		277 200	290 574	28 711	28 711	9.9				
	Females		124 740	130 578	19 811	19 811	15.2				
	Males		152 460	159 996	8 900	8 900	5.6				
	Young		55 440	58 114	10 559	10 559	18.2				
	Not Young		221 760	232 460	18 152	18 152	7.8				
	Number of increment rural CBFO members.										
	Number of increment rural CBFO members		72 000	90 000	16 005	16 005	17.8				
	Females		32 400	40 500	9 603	9 603	23.7				
	Males		39 600	49 500	6 402	6 402	12.9				
	Young		14 400	18 000	12 805	12 805	71.1				
	Not Young		57 600	72 000	3 200	3 200	4.4				
Output Output 2.1.1: CBFO support organizations expand network of CBFO groups	1.1.5 Persons in rural areas accessing financial services										Sufficient demand from CBFO support organisations (A) and poor level of client uptake (R)
	Men in rural areas accessing financial services - credit		180 400	229 776	54 042	54 042	23.5				
	Women in rural areas accessing financial services - credit		147 600	187 998	34 852	34 852	18.5				
	Young people in rural areas accessing financial services - credit		65 600	83 555	36 935	36 935	44.2				

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2019)	Cumulative Result (2019)	Cumulative Result % (2019)	Source	Frequency	Responsibility	
	Not young people in rural areas accessing financial services - credit		262 400	334 219	51 959	51 959	15.5				
	Total persons accessing financial services - credit		328 000	417 774	88 894	88 894	21.3				
	Number of persons in rural areas accessing CFBO financial services										
	Number of persons		350 574	380 574	44 716	44 716	11.7				
	Females		157 758	171 258	29 414	29 414	17.2				
	Males		192 816	209 316	15 302	15 302	7.3				
	Young		70 115	76 115	23 364	23 364	30.7				
	Not Young		280 459	304 459	21 352	21 352	7				
	No. of existing groups restructured										
	No. groups		15 400	16 143	1 311	1 311	8.1				
	No. of CBFO groups linked to formal financial institutions										
	No. CBFO groups		2 000	10 000	0	0	0				
	No. of new CBFOs formed										
	No. of new CBFOs formed		2 000	5 000	798	798	16				
	1.1.7 Persons in rural areas trained in financial literacy and/or use of financial products and services										
	Females		157 758	171 258	0	0	0				
	Males		192 816	209 316	0	0	0				
	Young		70 115	76 115	0	0	0				

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2019)	Cumulative Result (2019)	Cumulative Result % (2019)	Source	Frequency	Responsibility	
	Not Young		280 459	304 459	0	0	0				
	Persons in rural areas trained in FL and/or use of FProd and Services (total)		350 574	380 574	0	0	0				
Outcome Outcome 2.2: Enhanced capacity of FSPs to deliver demand-driven services in rural areas	1.2.6 Partner financial service providers with portfolio-at-risk ≥30 days below 5%										High effective demand from rural clients (A); inappropriate financial products from FSPs (R)
	Percentage			100		0	0				
	1.2.7 Partner financial services providers with operational self- sufficiency above 100%										
	Percentage			100		0	0				
	Number of incremental rural clients accessing formal financial service s or products by partner FSPs										
	No. Clients		11 160	37 200	44 178	44 178	118.8				
	Females		5 022	16 740	5 438	5 438	32.5				
	Males		6 138	20 460	38 740	38 740	189.3				
	Young		2 232	7 440	13 571	13 571	182.4				
	Not Young		8 928	29 760	30 607	30 607	102.8				
	Number of CBFOs linked to markets/FSPs										
	Number of value chain groups linked to FSPs		6 000	13 000	0	0	0				
Output Output 2.2.1: Innovative and demand-driven rural financial products/ services or low-cost delivery mechanisms for targeted low income households designed and introduced	Number of financial service providers supported in designing and introducing innovative and demand-driven rural financial products/services or low- cost delivery mechanisms										High effective demand from rural clients (A); inappropriate financial products from FSPs (R)
	No. providers		2	2							
	At least two new/improved sustainable financial products/services or low-cost delivery mechanisms developed and rolled out										

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2019)	Cumulative Result (2019)	Cumulative Result % (2019)	Source	Frequency	Responsibility	
	Financial products/services or low-cost delivery mechanisms		2	2							
Output Output 2.2.2: Existing proven innovative rural financial products/services and low-cost delivery mechanisms for targeted low-income households scaled up	1.1.6 Financial service providers supported in delivering outreach strategies, financial products and services to rural areas										High effective demand from rural clients (A); inappropriate financial products from FSPs (R)
	Service providers		8	8	6	6	75				
	Number of existing proven innovative rural financial products/services and low cost delivery mechanisms for targeted low-income households scaled up										
	Financial products/services and low cost delivery mechanisms		5	5	4	4	80				
Outcome Outcome 3.1: Multi-ministerial coordination and capacity to manage poverty graduation programmes are enhanced	Number of functioning graduation multi-stakeholder platforms supported (Policy 2)										Organizations with key contributions can be identified and have sufficient capacity to undertake assignments (A) Stakeholder unwilling to work cooperatively (R)
	Platforms under ultra-poor graduation		1	1	1	1	100				
Output Output 3.1.1: Support for development of Poverty Graduation Policy/Strategy and Systems	Number of policy forums/workshops held on developing graduation system										Organizations with key contributions can be identified and have sufficient capacity to undertake assignments (A) Stakeholder unwilling to work cooperatively (R)
	policy forums/workshops		9	12	2	4	33.3				

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2019)	Cumulative Result (2019)	Cumulative Result % (2019)	Source	Frequency	Responsibility	
Outcome Outcome 3.2: Institutions, policies and regulations supporting greater financial sector outreach and innovation are strengthened	Policy 3 Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment										Organizations with key contributions can be identified and have sufficient capacity to undertake assignments (A) Stakeholder unwilling to work cooperatively (R)
	Number		1	2		0	0				
Output Output 3.2.1: Enhanced financial sector regulatory, policy and institutional capacity	Policy 2 Functioning multi-stakeholder platforms supported										Organizations with key contributions can be identified and have sufficient capacity to undertake assignments (A) Stakeholder unwilling to work cooperatively (R)
	Number		3	5	1	1	20				
Outcome Outcome 3.3: Rural finance sector support organizations capacity and knowledge increased	Number of rural finance support organizations with improved rural inclusive finance good practice knowledge										Organizations with key contributions can be identified and have sufficient capacity to undertake assignments (A) Stakeholder unwilling to work cooperatively (R)
	organizations		5	10	0	0	0				

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2019)	Cumulative Result (2019)	Cumulative Result % (2019)	Source	Frequency	Responsibility	
Output Output 3.3.1: Rural inclusive finance good practice and knowledge produced and disseminated	Policy 1 Policy-relevant knowledge products completed										Organizations with key contributions can be identified and have sufficient capacity to undertake assignments (A) Stakeholder unwilling to work cooperatively (R)
	Number		5	5	0	0	0				

Malawi

Financial Access for Rural Markets, Smallholders and Enterprise Programme Supervision Report

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

Mission Dates: 24 February - 06 March, 2020
Document Date 07/04/2020
Project No. 2000001501
Report No. 5391-MW

East and Southern Africa Division
Programme Management Department

Malawi

Financial Access for Rural Markets, Smallholders and Enterprise Programme (FARMSE)

Supervision Mission Report

Type of mission	Supervision
Project Name	Financial Access for Rural Markets, Smallholders and Enterprise Programme (FARMSE)
Country	Malawi
Country programme manager	Ambrosio Barros
Name of Project Director	Dixon Ngwende
Date of mission (month/year)	February/2020

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)	Per cent disbursed
IFAD loan	21,000	4,862	23.2%
IFAD grant	21,000	4,865	23.2%
Government	9,579	531	5.5%
Private Sector	6,151	352	5.7%
Total	57,730	10,610	18.4%

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

Component	IFAD LOAN			IFAD GRANT			Government			Private Sector			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
1.0 Graduation of Ultra- Poor Households	5,337	853	16%	5,337	853	16%	5,153	392	8%	-	73	-	15,827	2,170	14%
2.1 Community Based Financial Organisation	6,141	794	13%	6,141	794	13%	1,658		0%	3,075	154	5%	17,015	1,742	10%
2.2 Support to Financial Innovation and Outreach	6,141	1,184	19%	6,141	1,184	19%	1,658	-	0%	3,075	126	4%	17,015	2,493	15%
3.0 Strategic Partnerships, Knowledge Generation and Policy	763	49	6%	763	49	6%	289	-	0%	-	-	-	1,815	98	5%
4.0 Programme facilitation and management	2,618	658	25%	2,618	658	25%	822	139	17%	-	-	-	6,058	1,456	24%
Total	21,000	3,538	17%	21,000	3,538	17%	9,580	531	6%	6,150	352	6%	57,730	7,958	14%

Table 2C: IFAD loan disbursements USD, as at 31 January 2020

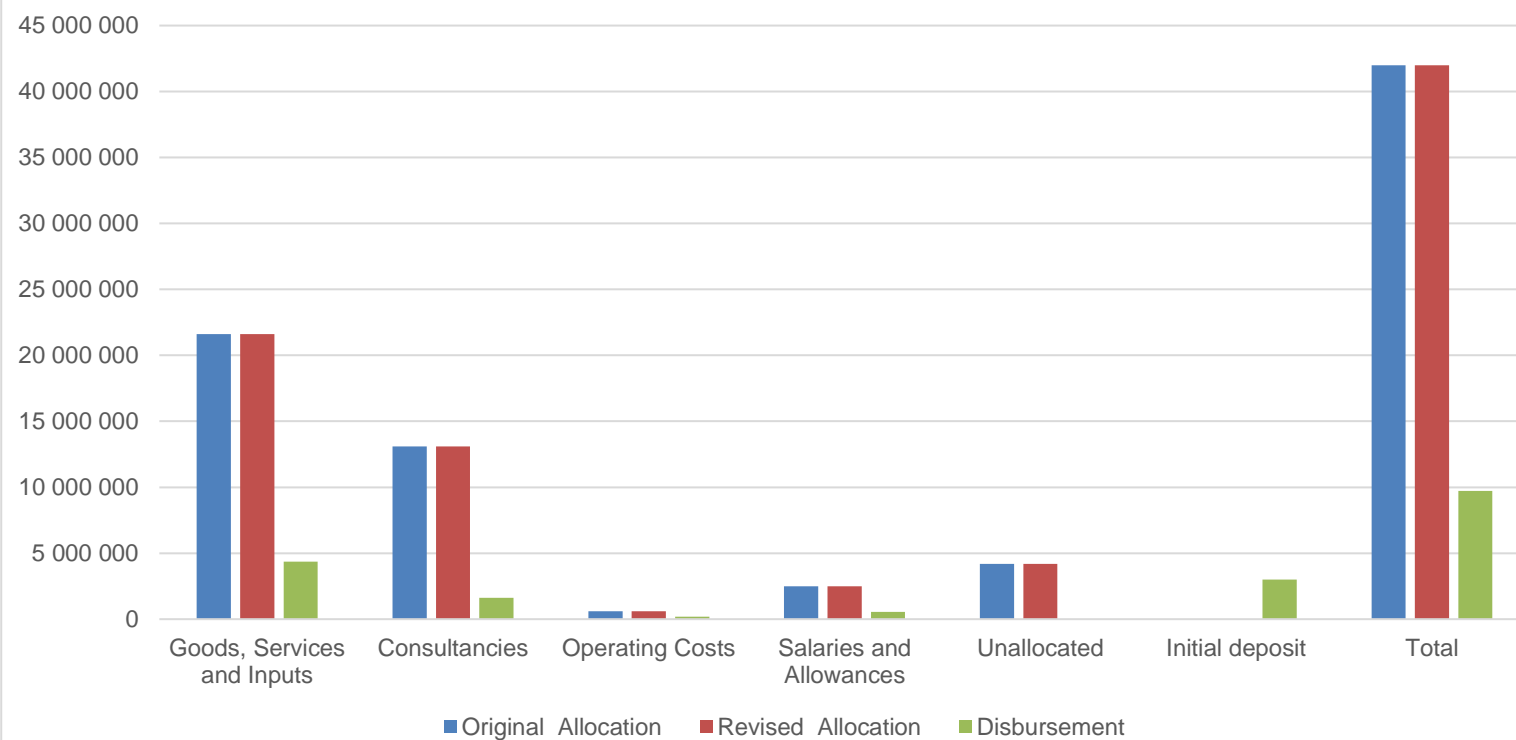
Category	Category description	Original	Revised	Disbursement	W/A pending	Balance	Per cent disbursed
		Allocation	Allocation				
I	Goods, Services and Inputs	10,800,000.00	10,800,000.00	2,176,571.17	0	8,623,428.83	20.15%
II	Consultancies	6,550,000.00	6,550,000.00	815,042.12	0	5,734,957.88	12.44%
III	Operating Costs	300,000.00	300,000.00	95,141.51	0	204,858.49	31.71%
IV	Salaries and Allowances	1,250,000.00	1,250,000.00	274,792.82	0	975,207.18	21.98%
V	Unallocated	2,100,000.00	2,100,000.00	0.00	0	2,100,000.00	0.00%
	Initial deposit	0.00	0.00	1,500,000.00	0	-1,500,000.00	0.00%
	Total	21,000,000.00	21,000,000.00	4,861,547.62	0	16,138,452.38	23.15%

Table 2D: IFAD loan disbursements USD, as at 31 January 2020

Category	Category description	Original	Revised	Disbursement	W/A pending	Balance	Per cent disbursed
		Allocation	Allocation				
I	Goods, Services and Inputs	10,800,000.00	10,800,000.00	2,177,526.56	0	8,622,473.44	20.16%
II	Consultancies	6,550,000.00	6,550,000.00	815,042.12	0	5,734,957.88	12.44%
III	Operating Costs	300,000.00	300,000.00	94,666.13	0	205,333.87	31.56%
IV	Salaries and Allowances	1,250,000.00	1,250,000.00	277,762.41	0	972,237.59	22.22%
V	Unallocated	2,100,000.00	2,100,000.00	0.00	0	2,100,000.00	0.00%
	Initial deposit	0.00	0.00	1,500,000.00	0	-1,500,000.00	0.00%
	Total	21,000,000.00	21,000,000.00	4,864,997.22	0	16,135,002.78	23.17%

Figure 1: IFAD loan/grant disbursement, comparisons between original and revised allocations and actual disbursement

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



Appendix 3: Compliance with legal covenants: status of implementation

Section	Covenant	Target/Action Due Date	Status 2 nd March 2020
Section B.6	Maintaining a designated account denominated in US\$ at the Reserve Bank of Malawi	Continuous	Complied
Section B.6	Maintaining a project account in US\$ at a Commercial Bank acceptable to the Fund and not subject to credit control authority operational requirements	Continuous	Complied
Section B7	Counterpart financing by borrower of US\$9.6million in of cash (US\$3million) and tax waivers	Continuous	Complied
Section E.1 (ii)	Fully constituted PMU staffed with key staff: Programme Coordinator, M&E Officer, Procurement Officer and Financial Controller	Prior to disbursement	Complied
Section E.1 (iii)	Off—the shelf accounting software implemented and configured to generate reports by component, expenditure category and financier	Prior to disbursement	Complied
Section E.1 (iv)	Established Programme Steering Committee	Prior to disbursement	Complied
Schedule 3 Para 13	The programme shall be implemented in accordance with approved AWBP and the PIM	Continuous	Complied
Schedule 3 Para 1	Mainstream gender concerns in all programme activities	Continuous	Compliant, with improvements recommended for Component 2.2
Schedule 3. Para 2	Financing proceeds be exempt from all taxes	Continuous	Compliant, improvements recommended for procurements of IPs
Schedule 3 Para 3	Programme internal audits to be performed by the Central Audit Unit or an independent and qualified internal audit firm in accordance to annual risk based work plan	Continuous	Complied
Schedule 3 Para 4	Programme ensure that key staff are recruited and in the event of turnover they are replaced timely	Continuous	Complied
GC Section 7.01.b.ii	LPA shall submit reviewed draft Project AWPB for each Project Year to the IFAD for comments no later than sixty (60) days before the beginning of the relevant Project Year	30 th April each year	Complied
GC Section 7.05.	(a) Procurement of goods, works and services in accordance with the provisions of the GOM regulations, to the extent such are consistent with the IFAD Procurement Guidelines. Each Procurement Plan shall identify procedures which must be implemented by the Borrower/ Recipient in order to ensure consistency with the IFAD Procurement Guidelines	Continuous	Complied
GC:S. 7.8 (a) In	(a)The Borrower/ the Lead Project Agency shall insure all goods and buildings used in the Project against such risks and in such amounts as shall be consistent with sound commercial practice.	Continuous	Complied
	(b)The Borrower or the Lead Project Agency shall insure the goods imported for the Project against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation in accordance with sound commercial practice	Continuous	Complied
GC Section 7.12 Project Parties	Each Project Party shall, as required to carry out the Project in accordance with Section 7.01:	Continuous	Complied

	(a) promptly take all necessary or appropriate action to maintain its corporate existence and to acquire, maintain and renew its rights, properties, powers, privileges and franchises; (b) employ competent and experienced management and personnel; (c) operate, maintain and replace its equipment and other properties; (d) not sell, lease or otherwise dispose of any of the Project's assets, except in the normal course of business or as agreed by the Fund.		
GC Section 8.3 (a)	Furnish to the Fund periodic progress reports in such form and substance as required	Half-yearly	complied
GC Section 8.3 (b)	Jointly carry out a review of Project implementation no later than the midpoint of the Project Implementation	2021	Not yet due
GC Section 9.02	Deliver to the Fund detailed financial statements of the operations, resources and expenditures related to the Project for each Fiscal Year prepared in accordance with standards and procedures acceptable to the Fund and deliver such financial statements to the Fund within four (4) months of the end of each Fiscal Year.	31 October, each year	Not complied
GC Section 9.03	(a)each Fiscal Year, have the accounts relating to the Project audited in accordance with auditing standards acceptable to the Fund and the Fund's Guidelines on Project Audits (for Borrowers' Use); (b)within 6 months of the end of each Fiscal Year, furnish to the Fund a certified copy of the audit report. The Borrower shall submit to the Fund the reply to the management letter of the auditors within one month of receipt thereof;	30 June, each year 31 December , each year	Complied Complied
GC Section 9.04.	In addition to the reports and information required by the foregoing provisions: (a)The Borrower and the Project Parties shall promptly furnish to the Fund such other reports and information as the Fund shall reasonably request on any financial matter relating to the Financing or the Project or any Project Party. (b)The Borrower shall promptly inform the Fund of any condition that interferes with, or threatens to interfere with, the maintenance of Loan Service Payments. (c) The Project Member State shall promptly furnish to the Fund all information that the Fund may reasonably request with respect to financial and economic conditions in its territory, including its balance of payments and its external debt.	Continuous	To be monitored as implementation continues

Malawi

Financial Access for Rural Markets, Smallholders and Enterprise Programme Supervision Report

Appendix 2: Physical progress measured against AWP&B

Mission Dates: 24 February - 06 March, 2020
Document Date 07/04/2020
Project No. 2000001501
Report No. 5391-MW

East and Southern Africa Division
Programme Management Department

Appendix 2: Physical progress measured against AWP&B

	Objectives/Expected Results	Indicators	Responsible Unit/ Staff	Implementation Target		
		Project Indicators		Planned (Annual)	Achieved (Annual)	%
	(A)	(B)	(E)	(G)	(H)	(I)
C1	Component 1: Ultra-poor graduation model development and scaling up					
SC1.1	Sub-Component 1.1: New graduation model selected for rollout					
	1.1.1 Graduation model selected for rollout					
	1.1.1.1 Ultra-Poor Graduation stakeholder review and Cross-learning workshops	No. of workshop	CBFO Specialist	2	1	50%
	1.1.1.2 Provide grants to ultra-poor graduation partners	No. of disbursements	Financial Controller	8	5	63%
	1.1.1.3 Call for concept notes for additional implementing partners		P&CO	2	0	0%
	1.1.1.3 Selection of additional Implementing partners	No. of partners	P&CO	2	0	0%
	1.1.1.4 Field monitoring/technical backstopping and annual service provider's implementation support session	No. of field visits	M&E Specialist	4	2	50%
	1.1.1.5 Printing of nutrition materials		P&CO	3,000	0	0%
	1.1.1.6 Training of farmers in good nutrition practices	No. of farmers	M&E Specialist	15,000	0	0%
	1.1.1.7 FARMSE Sensitization & Introduction of implementation partners to DEC & District Council	No. of districts	M&E Specialist	9	9	100%
C2	Component 2: Support to Financial Innovation and outreach					
SC2.1	Sub-Component 2.1: Community based financial organization support(CBFO)					
	2.1.1.1 CBFO Support organizations expand network of CBFO groups					
	2.1.1.1.1 CBFO support stakeholders review and Cross-learning workshops	No. of workshops	CBFO Specialist	2	0	0%
	2.1.1.1.2 Mapping of financial institutions	No. of studies	CBFO Specialist	1	1	100%
	2.1.1.1.3 Selection of new CBFO support partners	No. of partners	P&CO	2	4	200%
	2.1.1.1.4 Develop Gender and Social Inclusion strategy	No. of studies	KM&C Officer	1	0	0%
	2.1.1.1.5 FARMSE Sensitization & Introduction of implementation Partners to DEC	No. of districts	M&E Specialist	28	27	96%
	2.1.1.1.6 Provide grants to CBFO support partners	No. of disbursements	Financial Controller	7	3	43%

	2.1.1.1.7 CBFO members' Exchange learning & sharing visits	No. of visits	CBFO Specialist	15	0	0%
	2.1.1.1.8 Facilitate MoUs arrangements for linkages between CBFOs and Formal financial institutions, MNOS & High value markets	No. of MoUs	CBFO Specialist	2	0	0%
	2.1.1.1.9 Field supervision and technical backstopping.	No. of fields visits	M&E Specialist	4	2	50%
SC2.2	Sub-Component 2.2: Inovation and Outreach Facility (IOF)					
	Output 2.2.1.2 Existing proven innovative financial services and low-cost delivery mechanisms scaled up					
	2.2.1.2.1 Provide grants to IOF partners	No. of disbursements	Financial Controller	8	5	63%
	2.2.1.2.2 Field supervision and technical backstopping	No. of field visits	M&E Specialist	4	2	50%
	2.2.1.2.3 Training in value for money	No. of people trained	Programme Coordinator	4	4	100%
	2.2.1.2.4 IOF stakeholder review and Cross-learning workshop	No. workshops	RFS	2	1	50%
	2.2.1.2.5 Mapping of financial services consultancy	No. of studies	RFS	1	0	0%
C3	Component 3: Statagic Partnerships, Knowledge Generation and Policy.					
SC3.1	Sub-Component 3.1 Support for Poverty Graduation Policy and Systems.					
	Output 3.1.1.1: Support for development of Poverty Graduation Policy/Strategy and Systems					
	3.1.1.1.1 Meetings for ultra-poor graduation forums	No. of meetings	CBFO Specialist	3	2	67%
SC3.2	Sub-Component 3.2: Support for development and/or review of borader and inclusive rural finance policies/strategy					
	Output 3.2.1.1: Enhanced financial sector regulatory, policy and institutional capacity					
	3.2.1.1.1 Facilitate consolidation of Technical Working Groups in Agri and Rural Finance	No. of meetings	CTA	3	2	67%
	3.2.1.1.2 Engage consultant to review Finance Policy & Strategy	No. of reviews	CTA	1	0	0%
	3.2.1.1.3 Micro finance policy and strategy review dissemination workshop		CTA	1	0	0%
	Output 3.2.1.1: Enhanced financial sector regulatory, policy and institutional capacity					
	3.2.2.1.1 Document & disseminate successful international best practises/innovations for FSP's	No. of documents	KM&C Officer	1	1	100%
	3.2.2.1.3 Brochures	No. of materials	KM&C Officer	1000	4000	400%
	3.2.2.1.4 Calendars	No. of items	KM&C Officer	5,000	3600	72%
	3.2.2.1.5 Diaries	No. of items	KM&C Officer	100	75	75%
	3.2.2.1.6 Branded pens, card holders and note pads	No. of pens	KM&C Officer	200	75	38%
		No. of card holders	KM&C Officer	50	0	0%

		No. of note pads	KM&C Officer	600	150	25%
	3.2.2.1.7 T-shirts, gold shirts, and caps	No. of tshirts	KM&C Officer	500	150	30%
		No. of golf shirts	KM&C Officer	100	100	100%
		No. of caps	KM&C Officer	300	250	83%
	3.2.2.1.8 Develop programme's communication strategy	No. of reports	KM&C Officer	1	1	100%
	3.2.2.1.9 Communication needs assessment	No. of reports	KM&C Officer	1	1	100%
	3.2.2.1.10 Creation of SPs communication officers network	No. of networks	KM&C Officer	1	1	100%
	3.2.2.1.11 Design and maintain programmes website		Information Management Officer	1	1	100%
	3.2.2.1.12 Media orientaion workshop on FARMSE	No. of workshops	KM&C Officer	1	1	100%
C4	Component 4: Program Management and Coordination					
	Output 4.1: Effective implementation support and programme administration					
	4.1.1 Programme Steering committee	No. of meetings	Project coordinator	4	2	50%
	4.1.2 Procurement of computers	No. of items	P&C Officer	6	6	100%
	4.1.3 Procurement of cameras	No. of items	P&C Officer	3	2	67%
	4.1.4 Procurement of overhead projectors	No. of items	P&C Officer	2	3	150%
	4.1.5 Technical Services	No. of services	Project coordinator	3	2	67%
	4.1.6 Programme management Workshops	No. of workshops	Project coordinator	8	4	50%
	4.1.7 IFAD Workshops & Meetings	No. of workshops/meetings	Project coordinator	4	2	50%
	4.1.8 Procurement of stationery		P&C Officer	4	2	50%
	4.1.9 Office running costs		Project coordinator	12	6	50%
	4.1.10 Preparation of pregress reports & AWPB	No. of reports & plans	M&E Specialist	3	2	67%
	4.1.11 Baseline survey consultancy	No. of reports	M&E Specialist	1	0	60%
	4.1.12 Workshop for dissemination of baseline report and field data collection		M&E Specialist	1	0	0%
	4.1.13 Development of Planning Monitoring and Evaluation System consultancy	No. of systems	M&E Specialist	1	1	100%
	4.1.14 Workshop for validation of Planning Monitoring and Evaluation system		M&E Specialist	1	0	0%
	4.1.15 Field monitoring and supervision	No. of field visits	M&E Specialist	4	2	50%
	4.1.16 Indicator review and reporting guidelines workshop		M&E Specialist	2	2	100%
	4.1.17 M&E review workshops		M&E Specialist	2	2	100%

Malawi

Financial Access for Rural Markets, Smallholders and Enterprise Programme Supervision Report

Appendix 3: Compliance with legal covenants: status of implementation

Mission Dates: 24 February - 06 March, 2020
Document Date 07/04/2020
Project No. 2000001501
Report No. 5391-MW

East and Southern Africa Division
Programme Management Department

Appendix 3: Compliance with legal covenants: status of implementation

Section	Covenant	Target/Action Due Date	Status 2 nd March 2020
Section B.6	Maintaining a designated account denominated in US\$ at the Reserve Bank of Malawi	Continuous	Complied
Section B.6	Maintaining a project account in US\$ at a Commercial Bank acceptable to the Fund and not subject to credit control authority operational requirements	Continuous	Complied
Section B7	Counterpart financing by borrower of US\$9.6million in of cash (US\$3million) and tax waivers	Continuous	Complied
Section E.1 (ii)	Fully constituted PMU staffed with key staff: Programme Coordinator, M&E Officer, Procurement Officer and Financial Controller	Prior to disbursement	Complied
Section E.1 (iii)	Off—the shelf accounting software implemented and configured to generate reports by component, expenditure category and financier	Prior to disbursement	Complied
Section E.1 (iv)	Established Programme Steering Committee	Prior to disbursement	Complied
Schedule 3 Para 13	The programme shall be implemented in accordance with approved AWPB and the PIM	Continuous	Complied
Schedule 3 Para 1	Mainstream gender concerns in all programme activities	Continuous	Compliant, with improvements recommended for Component 2.2
Schedule 3. Para 2	Financing proceeds be exempt from all taxes	Continuous	Compliant, improvements recommended for procurements of IPs
Schedule 3 Para 3	Programme internal audits to be performed by the Central Audit Unit or an independent and qualified internal audit firm in accordance to annual risk based work plan	Continuous	Complied
Schedule 3 Para 4	Programme ensure that key staff are recruited and in the event of turnover they are replaced timely	Continuous	Complied
GC Section7.01.b.ii	LPA shall submit reviewed draft Project AWPB for each Project Year to the IFAD for comments no later than sixty (60) days before the beginning of the relevant Project Year	30 th April each year	Complied
GC Section 7.05.	(a) Procurement of goods, works and services in accordance with the provisions of the GOM regulations, to the extent such are consistent with the IFAD Procurement Guidelines. Each Procurement Plan shall identify procedures which must be implemented by the Borrower/ Recipient in order to ensure consistency with the IFAD Procurement Guidelines	Continuous	Complied
GC:S. 7.8 (a) In	(a)The Borrower/ the Lead Project Agency shall insure all goods and buildings used in the Project against such risks and in such amounts as shall be consistent with sound commercial practice.	Continuous	Complied
	(b)The Borrower or the Lead Project Agency shall insure the goods imported for the Project against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation in accordance with sound commercial practice	Continuous	Complied

GC Section 7.12 Project Parties	Each Project Party shall, as required to carry out the Project in accordance with Section 7.01: (a) promptly take all necessary or appropriate action to maintain its corporate existence and to acquire, maintain and renew its rights, properties, powers, privileges and franchises; (b) employ competent and experienced management and personnel; (c) operate, maintain and replace its equipment and other properties; (d) not sell, lease or otherwise dispose of any of the Project's assets, except in the normal course of business or as agreed by the Fund.	Continuous	Complied
GC Section 8.3 (a)	Furnish to the Fund periodic progress reports in such form and substance as required	Half-yearly	complied
GC Section 8.3 (b)	Jointly carry out a review of Project implementation no later than the midpoint of the Project Implementation	2021	Not yet due
GC Section 9.02	Deliver to the Fund detailed financial statements of the operations, resources and expenditures related to the Project for each Fiscal Year prepared in accordance with standards and procedures acceptable to the Fund and deliver such financial statements to the Fund within four (4) months of the end of each Fiscal Year.	31 October, each year	Not complied
GC Section 9.03	(a)each Fiscal Year, have the accounts relating to the Project audited in accordance with auditing standards acceptable to the Fund and the Fund's Guidelines on Project Audits (for Borrowers' Use); (b)within 6 months of the end of each Fiscal Year, furnish to the Fund a certified copy of the audit report. The Borrower shall submit to the Fund the reply to the management letter of the auditors within one month of receipt thereof;	30 June, each year 31 December , each year	Complied Complied
GC Section 9.04.	In addition to the reports and information required by the foregoing provisions: (a)The Borrower and the Project Parties shall promptly furnish to the Fund such other reports and information as the Fund shall reasonably request on any financial matter relating to the Financing or the Project or any Project Party. (b)The Borrower shall promptly inform the Fund of any condition that interferes with, or threatens to interfere with, the maintenance of Loan Service Payments. (c) The Project Member State shall promptly furnish to the Fund all information that the Fund may reasonably request with respect to financial and economic conditions in its territory, including its balance of payments and its external debt.	Continuous	To be monitored as implementation continues