

Malawi

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

Main report and appendices

Mission Dates: 8-12 April 2019
Document Date 02/08/2019
Project No. 2000001501
Report No. 5081-MW

East and Southern Africa Division
Programme Management Department

Abbreviations and Acronyms

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:	29/07/2019
Signing Date:	06/06/2018	Date of Last SIS Mission:	12/04/2019
Entry into Force Date:	06/06/2018	Number of SIS Missions:	1
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	Debt Sustainability Framework	\$21,000,000
	IFAD	\$21,000,000
Domestic Financing breakdown	Private sector local	\$6,151,000
	National Government	\$9,582,000
Co-financing breakdown,		
Project total financing:		\$57,733,000

Current Mission

Mission Dates: 8-12 April 2019

Days in the field:

Mission composition: Mr Ambrosio Barros, IFAD Country Programme Manager and Team Leader
 Mr Joseph Mononga, Rural and Micro Finance specialist
 Ms Alice Abillu, Financial Management specialist
 Ms Zainab Semgalawe, IFAD Lead Regional Technical Specialist, Institutions (remote support)
 Ms Sashwati Mishra, IFAD Gender and Social Inclusion Analyst (remote support)
 Ms Rosa Valeria Cerza, M&E specialist (remote support)
 Mr Alaudio Chingotuane, Procurement specialist (remote support)

Field sites visited:

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

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

Relevance	4
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C. Mission Objectives and Key Conclusions

Background and Main Objective of the Mission

The International Fund for Agricultural Development (IFAD) fielded a first Supervision and Implementation Support Mission to Malawi for the Financial Access for Rural Markets, Smallholders and Enterprise Programme (FARMSE) from 08 to 12 April 2019. In fact, in a context of a continuous supervision, the mission effectively started on 25 March 2019. The purpose of this mission is to review progress and provide implementation support of the above-mentioned Programme. Ten months after entry-into-force, the specific objectives of this mission are to: (i) assess the status of programme implementation; (ii) identify and find solutions to any bottlenecks delaying the start of implementation of activities at field-level; and (iii) provide support to the PMU as required.

FARMSE intends to help graduate poor Malawians along the poverty spectrum from ultra-poor to a productive pathway on a sustainable basis. The programme will work to support household economic development through access to financial services. Meeting the needs of rural households will require new and innovative products, services, and delivery mechanisms beyond what the financial sector currently offers. Supporting emerging and encouraging new institutional efforts and partnerships is required to overcome the multiple costs, volume, and product/service design constraints facing sector development, as well as overcoming the sector's relative lack of experience and unclear risk perception of rural markets. FARMSE will support financial service providers to develop demand-driven, simple to use, low monetary value, low transaction cost savings and loans products highly suitable for low income rural households. With a focus on formal financial services, FARMSE supported value chains will fuel economic opportunity for smallholder rural enterprise/households on and/or off-farm enterprises, creating employment and rural economic multipliers effects. Support to improved rural financial infrastructure (e.g., sector associations), policy, and regulation is also required.

The Mission held discussions with the key staff of the Division of Pensions and Financial Sector Policy (PFSP) as well as the key staff of the Department of Debt and Aid both under the Ministry of Finance, Economic Planning and Development (MoFEPD) to discuss the overall FARMSE implementation standing and future considerations. The mission worked closely with the FARMSE Programme Management Unit (PMU) to review, discuss and resolve implementation issues. Since the Programme is still setting up systems and identifying implementation partners, it was agreed with the Mission that it was too early to organize a field visit.

The Mission debriefed the PMU and PFSP staffing the morning of 11 April 2019 about its findings and conclusions. A wrap up meeting was held with the Department of Debt and Aid in the afternoon of 11 April 2019. The mission expressed its gratitude for the support given by the Government of Malawi during this visit.

Key Mission Agreements and Conclusions

In addition to specific recommendations provided on the aspects discussed below the mission would like to underscore the following:

1. PMU needs to agree with the procurement team of MoFEPD on modalities for working together regarding FARMSE procurement activities to enhance implementation efficiency.
2. The lead agency should allow PMU to consult and collaborate directly with relevant units of the MoFEPD for technical support on various aspects such as financial management, human resource management and procurement. In this regard PMU should be seen as an autonomous unit in the ministry for each and every operational task under the strategic guidance of the lead agency.
3. The bureaucratic processes for payments should be minimized, such that PMU is given more mandate to process programme payments to expedite implementation. The threshold for MK2,500,000 (US\$3,378) for cheque signing should be revisited on understanding that fiduciary checks and balances provided for in programme FM procedures, including internal and external audits should suffice. The mission recommends that the threshold of cheque signing for the PMU must be increased to an equivalent of US\$50,000.
4. Considering that the largest component of FARMSE is implemented by NSSPD and hence the importance of working closely with PMU, MoFEPD may consider to open a reflection on implementation leadership for FARMSE. Depending on the outcome of this reflection, MoFEPD may have to send a request to amend FARMSE Financing Agreement to reflect this change. PFSPD should play a minor role in the activities of FARMSE in order to improve the programme's efficiency.
5. PIM needs to be revised to ensure it delivers the intended purpose of guiding the programme implementation.

D. Overview and Project Progress

Key programme staff: The recruitment process for key positions for the PMU are on-going and the programme so far has the following key staff: Programme Coordinator, Monitoring and Evaluation Specialist; Financial Controller, Procurement Specialist, Community Based Financial Organisations Specialist, Rural and Microfinance Specialist, Knowledge Management and Communications Officer, Information Management Officer, Accountant, Administrative Assistant and Drivers. The mission noted that the recruitment of key technical people was delayed as most of them started work in March 2019. Among the reasons for the delay was the lengthy procurement process which took about four weeks after the development and signing off of the terms of reference for the positions. Further delays were due to submission of incomplete documents for no objection to IFAD. The Mission observed that the PMU does not have an officer responsible for ultra-poor graduation. The programme should consider how this component will be supported.

The mission reviewed the FARMSE 9-month July 2018 to March 2019 implementation activities and AWPB.

Programme financing: The Financing Agreement (FA) for FARMSE was signed on 6th June 2018 between IFAD and GoM. Key staff were in place by 1st July 2018. Conditions for first withdrawal were met within three months and the first disbursement was received on 12th September 2018.

Programme start up: The national programme launch was held in November 2018 and presided over by the Minister of Finance, Economic Planning and Development. Start-up workshop to orient key stakeholders was also held in November, 2018 to orient PMU and Government staff on IFAD requirements in Financial Management, Procurement, Monitoring and Evaluation, and Programme Management. However, due to delays in recruitment, major program activities started late.

Programme Steering Committee (PSC): The PSC, chaired by the Secretary to the Treasury (ST) is in place. The members met and were briefed on their terms of reference, and approved the Program Implementation Manual (PIM), grant management systems, 2018/19 work plan and budget and the mid-year progress report.

Progress on Implementation: National Stakeholder Sensitisation Workshops on The Ultra-Poor Graduation Model, Informal Community Based Financial Organisations (CBFOs) and for Financial Service Providers (FSPs) in the Innovation and Outreach window were held.

Following these workshops, 65 institutions responded to call for concept notes, out of which 31 were shortlisted for proposal development for ultra-poor graduation scaling up, community based financial organisations (CBFO's) and innovation and outreach facility. Out of these only 2 are banks and none of the mobile network organisations (MNO) submitted concept note despite prior interest to participate in the programme. Considering the potential of reaching out to rural areas using MNOs, the programme should explore further engaging MNOs. Proposals will be submitted by 16th April, and it is anticipated that the first disbursements on these programs should be done by early June 2019.

The programme design had anticipated that these activities would be carried out by December, 2018, but due to delays already highlighted above, these activities have been implemented late. The mission advised that the process should be done with speed, but without compromising quality. A revised Work Plan and Budget for the period up to June 2019 has been submitted to take into account the delays.

The mission also noted that there is no proposal being prepared under the Market Research and Feasibility Study window. The Mission agrees that FARMSE will explore means of mobilising and engaging potential partners in this area such as some FSPs and other organizations like MNOs, input suppliers, technical service providers (TSPs) and insurance companies on the programme objectives, including awareness on Component 2.2: Market Research and Feasibility Studies.

The program Guidelines were also reviewed and the mission noted that some of the guidelines for assessment of proposals, were too general and needed to be specific. Examples and suggestions of the same have been shared with the PMU. The Mission agrees that FARMSE should further review the guidelines after using them for the first time to make use of lessons learnt.

Targeting and outreach: The Mission noted that a mapping exercise is being done to establish the initial intervention for CBFOs in 9 Districts of the country. The Mission advised that to enhance outreach, and to ensure that the programme outreach is well spread throughout the country including the most underserved areas, the programme should undertake a national wide mapping exercise of all financial service providers (FSPs) and CBFOs. If this is done properly, the program will request service providers to go into areas that have hitherto been under-served with financial services. The Mission referred the PMU to the Outreach Plan in Uganda, which could provide some lessons. There is however a need to leverage on studies that have already been done, like the FINSCOPE studies as well as the one done by Government of Malawi in conjunction with CARE.

Mobile network operators (MNOs) and agency banking will be ideal in very remote areas for savings and loan disbursements. For example, Airtel Malawi and Telecom Networks Malawi (TNM) are aggressively requesting for clients to establish branches where all their services will be handled. The CBFOs and FSPs can work with Airtel and TNM to fund

some of their MNO clients to establish branches in rural trading centres, which will act as super agents to enable more business people access Airtel money and TNM Mpamba services.

Review of Institutional Arrangements

An Overview: The organizational set-up for FARMSE was designed with a view to allow integration of project in the existing structures, building on RLEEP mechanisms to ensure sound technical and institutional coordination. According to programme design the Ministry of Finance is the lead agency of FARMSE, and Pensions and Financial Sector Policy division (PFSPD) in MoFEPD is the designated division for facilitation of programme implementation. The National Social Protection Division (NSSPD) is also involved in the implementation of FARMSE. The Project Management Unit (PMU) which is responsible for day to day management and coordination of FARMSE activities is placed in PFSPD.

Progress constituting the Organizational Arrangement: Project steering committee (PSC) has been established to provide strategic oversight to FARMSE implementation, and the Technical committee (PTC) is also in place to support PSC. All the PMU staff have been recruited with exception of the Chief Technical Advisor to support components 2 and 3. The PMU comprises of experienced team with good track record in programme management. As proposed at design the core PMU staff (Programme Coordinator, Financial Controller, Procurement Officer and M&E Officer) was drawn from IFAD-financed programme, RLEEP which closed in June 2018, with high scores in Programme Management and achievement of results, among others. The technical staff namely Rural Finance/microfinance Specialist, Community Based Financial Organization Specialist, Knowledge Management Officer and Administrative Assistant were recruited competitively from the market.

Assessment of efficiency of institutional arrangement: Below is an assessment of the efficiency of the current institutional arrangement in delivery of FARMSE.

Programme Steering Committee: The mission noted that PSC was constituted immediately after FARMSE became effective and its composition is in compliance with the design proposal. Both the PSC and PTC have provided useful support and guidance to the programme, in terms of timely review and approval of key documents and reports. The PSC and PTC have met twice so far. The first meeting was held in November, 2018, just after the launching and start-up of FARMSE to review and approve the 1st AWPB, ToRs for PSC and guidelines for grants. The PSC noted the slow start-up of programme implementation and provided guidance to speed-up implementation.

Ministry of Finance, Economic Planning and Development: The Ministry of Finance is the borrower and lead agency for FARMSE under the leadership of the ST who leads other line ministries, stakeholders and partners in providing policy and strategic guidance through PSC.

Pensions and Financial Sector Policy division The role of PFSPD is to ensure that FARMSE is delivered efficiently by providing required institutional support and conducive environment to perform their duties and successfully deliver programme results. The PFSPD has been active in facilitation of the implementation of FARMSE start-up activities, including recruitment of PMU staff, establishment of PSC and implementation of AWPB, including managing procurement of goods and services. However the mission noted lack of clarity on the mandate of PFSPD and that of PMU with regard to management aspects of the programme, particularly procurement and financial management which are key determinants of implementation progress. The lead agency has introduced additional internal review and approval procedures for financial management (FM), such as thresholds for co-signing of cheque payments and procurement rules to be followed, such as verification of procurement activities by PFSPD, creating additional layers of processes. Although these checks and balances are done with good intention, they have undermined efficiency, start-up of programme activities and the autonomy of PMU in management of programme processes to ensure timely delivery, as envisaged at design. Learning from other IFAD financed projects in Malawi and elsewhere, autonomy of PMU in day to day project management is key to project success.

National Social Protection Division: The Poverty Reduction and Social Protection Division of MoFEPD is the custodian of the Social Protection Policy and Malawi National Social Support Programme (MNSSP), and have been piloting a graduation programme in Mwanza District southern Malawi. The division is expected to play a leading role in implementation of component 1 of FARMSE, in alignment with MNSSP.

Ministry of Local Government and Rural Development: There is need for active participation of MLGRD at operational level beyond PSC. For this to happen, deliberate mechanisms should be put in place to ensure continued interactions at national level between MoFEPD and MLGRD beyond the steering committee. Presence of technical staff from MLGRD should be guaranteed on to discuss operational issues on need basis would improve the operational input of MLGRD to the implementation of FARMSE.

Programme Management Unit: The PMU is fully engaged in carrying out its role and responsibility in accordance with the programme organizational structure envisaged at design. The mission observed that the PMU is lagging behind in setting FARMSE up to speed. Most of programme activities are held back by procurement processes, partly due to lead agency's internal mechanisms alluded to above. The Mission agrees that the PMU will take full charge of day to day programme management while receiving necessary support, facilitation and guidance from PFSPD. The mission appreciates the decision about FARMSE using the existing centralized Internal Procurement Committee (IPC) of the

Ministry. However the mission is of opinion that PMU needs clear operational modality for managing procurement through IPC of the Ministry, and should work closely with procurement unit of MoFEPD to ensure that government's procurement procedures are adhered to and procurement activities are delivered efficiently.

District councils: The programme implementation is decentralized to the district councils in accordance with decentralization policy in Malawi. In view of this, FARMSE is implemented through the existing organizational set up at district level. The District councils together with other local government entities are the main drivers of FARMSE implementation on the ground and monitoring and supervision of activities. The district councils are also responsible for integration of FARMSE activities in the overall district planning and programming processes. The mission sees the need to articulate clearly how the Programme will work with district councils. Specific activities to be carried out by district councils to facilitate implementation and supervision should also be included in FARMSE Annual Work Plan and Budget. Also, since some of the programme interventions will be implemented by service providers through matching grants instrument, it is important that roles and responsibilities of district councils in monitoring and evaluation of performance of service providers are clarified and included in the Programme Implementation manual (PIM).

Review of PIM: The mission reviewed the draft PIM to assess the adequacy in guiding the operationalization of institutional arrangements as conceived in the Design. Like most aspects, the PIM does not specifically say HOW the proposed institutional arrangement will deliver conducive environment for efficient management and implementation of FARMSE. This would include mechanisms and processes that need to be put in place to make the institutional arrangement functional. This leaves a room for major improvements to make the PIM a tool that translates FARMSE design to step by step implementation guide. In most cases the PIM repeats the PDR description about WHAT FARMSE is set to do, and not "HOW FARMSE will make it happen". The PIM needs to be improved substantially. IFAD will provide further guidance to PMU on this.

Monitoring and Evaluation

The TORs to conduct the baseline survey has been revised before the mission and finalized by the programme team. The baseline is expected to be conducted between the end of June and the beginning of July. The TOR for the development of the Management Information System has also been finalized and advertised locally and internationally. The consultant is expected to be on board by mid-June. The logical framework (logframe) was revised during the start-up workshop and the IFAD core indicators were introduced. The final logframe will be uploaded in Operational Results Management System (ORMS) of IFAD by end of April 2019.

Financial management

The PMU finance unit is staffed with a Financial Controller and an Accountant who have adequate skills and experience to discharge the financial management function of the programme. ACCPAC accounting software has been installed and fully deployed, producing automated Statement of Expenditures reports and timely financial reports to key stakeholder.

The Mission noted that the programme will start disbursing grants to implementing partners before the end of the financial year. The review of the cashflow projections shows that the Programme will need an estimated sum in excess of US\$ 1,500,000 to pay out to the grantees. The initial advance of US\$2,000,000 may not suffice to make these payments. The Mission therefore recommends that the programme submits a withdrawal application to access the balance of US\$ 1,000,000 out the authorised allocation of US\$ 3,000,000.

Programme Disbursements: FARMSE is in its 10th month of programme life and current disbursement rate on the IFAD financing is 5% (disbursement of USD 2,276,910 from the total IFAD financing of USD 42,000,000). Government disbursements rate is at 1% being US\$136,332 out of US\$9,579,000. Private sector contribution will come from contributions from grantees.

2018-2019 AWPB: Out of the USD 5.3 million planned to be disbursed this fiscal year, the Programme has disbursed so far around USD 825,000, i.e 15% of the total, which is moderately unsatisfactory. However, based on the action plan that was done during this Mission, the Programme is expected to disburse about 70% of the current AWPB by 30 June 2019.

Grant Management: According to the programme design, 51% of the programme financing will be channelled to programme guarantees under Components 1 and 2. The financial management arrangement for grant disbursements are such that grants are expensed upon their disbursement to successful grantees. However, to ensure that resources channelled to partners are properly utilized and accounted for and that there is assurance for value for money it is recommended that FARMSE immediately recruits a Grant Management Officer/ Consultant to effectively monitor the performance of grantees on the fiduciary aspects and overall programme milestones.

Commitments Monitoring: The nature of the programme is that it will have multi-year financial commitments with various service providers. Currently the programme tracks commitments manually and it is recommended that the procurement module within ACCPAC accounting software be implemented to ensure proper tracking and reporting of all financial commitments by the programme.

Effects of Cyclone Idai

The Mission is considering to use about US\$1,100,000.00 to repair some roads and/or bridges as recovery response initiative in targeted districts affected by Cyclone Idai. If this is agreed with government, PMU will liaise with sister IFAD-funded programmes of SAPP and PRIDE as well as Department of Disaster Management Affairs (DoDMA), UN agencies, and relevant district councils.

Gender and Youth mainstreaming

The Programme Steering Committee recommended that the 30% target for women was low and should be increased to 50%. The gender and youth was mainstreamed in the development of guidelines for selection of partners. The programme is planning to conduct gender and social inclusiveness study and develop strategy to guide the implementation.

Knowledge Management

The KM and Communications Officer was recruited in March 2019. Terms of reference to conduct an information needs assessment survey has been prepared and revised by the mission. The study is expected to be finalized by the end of May. The findings of the study will guide the development and implementation of the programme Knowledge Management and Communications Strategy. KM activities have been identified in the 2019-2020 in the next-year AWPB. On the communication aspects, the programme developed social media pages including Facebook and Twitter. TORs for the programme website are being developed.

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
Overview and Project Progress		
Fast track cyclone response	MoFEPD/PMU	05/2019
PMU to explore engagement of MNOs, FSPs, input suppliers, insurance	RMFS/CBFOS	07/2019
Review evaluation criteria/guidelines to address gaps identified during the first use of the criteria/guidelines	PCO/RMFS/CBFOS	07/2019
Review PIM to clarify roles and responsibilities and facilitate effective modes of implementation	PMU/IFAD	08/2019
Engage consultant to map out the spread of financial services to identify under-served areas	RMFS/CBFOS	09/2019

E. Project implementation

a. Development Effectiveness

Effectiveness and Developmental Focus

Effectiveness

Rating: 4

Justification of rating

FARMSE was launched in November 2018. The programme faced some delays in the recruitment of key staff which delayed implementation of programme activities. The main reason was the lengthy procurement process which took about four weeks after the development and signing-off of the terms of reference for the positions. Further delays were due to submission of incomplete documents for no objection to IFAD. Despite these initial issues the programme implemented key activities and is currently speeding up to ensure that the majority of the planned activities for the year are implemented by June 2019.

Log-Frame Analysis & Main Issues of Effectiveness

In this early stage of the programme the analysis is focused on the progress of activities implemented toward the output achievements. Additional information on the logical framework can be found in the M&E section.

Two national workshops were held: i) National Stakeholder Sensitisation Workshops on The Ultra-Poor Graduation Model, Informal Community Based Financial Organisations (CBFOs), ii) and for Financial Service Providers (FSPs) in the Innovation and Outreach window.

Following these workshops, 65 institutions responded to a call for concept notes, out of which 31 were shortlisted for proposal development of the ultra-poor graduation scaling-up, community based financial organisations (CBFO's) and innovation and outreach facility. Out of these only 2 are banks and none of the mobile network organisations (MNO) submitted concept note despite prior interest to participate in the programme. Considering the potential of reaching out to rural areas using MNOs, the programme should explore further engagements with the MNOs. Proposals will be submitted by 16th April, and it is anticipated that the first disbursements on these programs should be done by early June 2019.

Development Focus

Targeting and Outreach

Rating: 4

Justification of rating

Both the targeting strategies (socio-economic based and self-targeting) are well defined and cover the most marginalised in Malawi.

The process of selecting partners to carry out the Ultra-poor Graduation Model intervention should be fast tracked. The consideration for recruiting a dedicated officer for component 1.0 is commendable.

The mapping of CBFOs is on-going. It is essential that the financial services reaches the pockets where Malawians are most under served with financial services.

The activities under component 1.0 and 2.0 are starting and the project deliverables are delayed. The pace of the activities need to pick up but should not compromise the quality of delivery of project components as well as outreach to the target groups.

Main issues

FARMSE's component 1.0 supports the GoM's on-going efforts of graduation of ultra-poor households. It is encouraging to note that targeting strategy is adopted from GoM's National Social Protection Programme and is based on socio-economic analysis. IFAD supports stage 2 to stage 5 (savings, technical skill transfers, mentoring-coaching and asset transfer) and GoM and its partner support stage 1 (consumption support). The implementation of Component 1.0 will enable the ultra-poor to develop resilient and sustainable livelihood pathways and a sense of empowerment.

It is worth noting that FARMSE is intending commissioning a qualitative study during the implementation to assess both the process and impact of implementation of Component 1.0.

It is highly recommended to develop the gender, youth and social inclusion strategy at the earliest to complement and provide more guidance to the targeting strategy and ensure outreach to the most excluded.

The recruitment of a dedicated staff for Component 1.0 is a commendable step. It is recommended to hire an experienced staff well versed with the socio-economic conditions of Malawi and having demonstrated experience of working with youth and women. This crucial action would augment the effective implementation of ultra-poor graduation.

The mapping of CBFOs is on-going and initial intervention focusses on 9 districts in Malawi which will then spread to the whole country. It is important to ensure that the financial services in these 9 districts reaches the pockets where the rural people have lower access to financial services. Please refer to the *Guidance Note* on Gender Equality sections III, IV and V on "User Needs and Outreach to the Poorest, Selection criteria of FSPs/CBFOs and Social Performance Indicators for FSPs".

The M&E system needs to robustly monitor the targeting effectiveness, impact of financial products on the target groups and youth and gender responsive outcomes of FARMSE. Please refer to the Guidance Note on Gender Equality section VII on "Gender Responsive M&E".

Agreed Action	Responsibility	Agreed Date
Development Effectiveness		
Selection of Implementing Partners, FSPs, CBFOs for Component 1.0 and 2.0 based on gender and social inclusion criteria The selection criteria focusing on social inclusion and gender are provided in details in the Guidance Note on Gender Equality. Please refers to the sections III, IV and V on "User Needs and Outreach to the Poorest, Selection criteria of FSPs/CBFOs and Social Performance Indicators for FSPs.	PMU Coordinator	06/2019
Develop Social Inclusion, Youth and Gender Strategy	PMU	07/2019

Gender equality & women's participation

Rating: 4

Justification of rating

FARMSE is taking an affirmative action towards gender equality and social inclusion. PSC has increased the targeting to 50% women and 30% youth. The logframe should be revised accordingly.

Gender and Youth strategy outlined in the PDR needs detailing for implementation. PMU is going to develop a gender and social inclusion strategy. The preparation of HH methodology should start immediately with focus on selection of household through PRA methods, along with gender and household analysis.

Main issues

FARMSE must focus on capacity building of all PMU Staff. This initiative should be integrated into the AWP/B. Gender and social inclusion should be integrated as a deliverable in their responsibilities.

A gender and youth focal person should be appointed within PMU Staff. These two focal points should track and report on the targeting effectiveness, ensure effective implementation of gender, youth and social inclusion strategy, monitor the impact of financial products on the target groups, youth and women and report on gender responsive outcomes of FARMSE.

Invest in financial capacity building programs for women, through advisory services, mentorship and coaching to reinforce their ability to act as informed and educated financial consumers

Refer to the **Guidance Note for Strengthening Gender Equality in FARMSE**. The guidance note provides inputs and strategies for ensuring gender equality and for effective outreach to the most excluded and poorest in Malawi. The note has sections on capacity building of PMU Staff, FSPs/CBFOs; Gender Responsive M&E; ensuring outreach to the poorest; measuring social performance of FSPs, strategizing the key take off activities of FARMSE and inputs on policy engagements.

Agreed Action	Responsibility	Agreed Date
Development Effectiveness		
Staffing Staff TOR to be revised to incorporate Gender and social inclusion in the work deliverables. A gender and youth focal person should be appointed within PMU Staff.	PMU Coordinator	06/2019
Social Inclusion, Youth and Gender Strategy Expediting the planning of Household Methodology and its implementation.	PMU Coordinator	07/2019
Capacity building of PMU Staff and Implementing Partners The capacity building themes are outlined in the Guidance Note on Gender Equality. It is imperative that this is reflected in AWP/B.	PMU Coordinator	09/2019

Agricultural Productivity

Rating:

Nutrition

Rating: N/A

Adaptation to Climate Change

Rating:

b. Sustainability and Scaling up

Institutions and Policy Engagement

Rating: N/A

Main issues

The role of PFSPD is to ensure that FARMSE is delivered efficiently by providing required institutional support and conducive environment to perform their duties and successfully deliver programme results. The PFSPD has been active in facilitation of the implementation of FARMSE start-up activities, including recruitment of PMU staff, establishment of PSC and implementation of AWPB, including managing procurement of goods and services. However the mission noted lack of clarity on the mandate of PFSPD and that of PMU with regard to management aspects of the programme, particularly procurement and financial management which are key determinants of implementation progress. The lead agency has introduced additional internal review and approval procedures for financial management (FM), such as thresholds for co-signing of cheque payments and procurement rules to be followed, such as verification of procurement activities by PFSPD, creating additional layers of processes. Although these checks and balances are done with good intention, they have undermined efficiency, start-up of programme activities and the autonomy of PMU in management of programme processes to ensure timely delivery, as envisaged at design. Learning from other IFAD financed projects in Malawi and elsewhere, autonomy of PMU in day-to-day project management is key to the project success.

It was further noted that the Proposal Review Committee composition does not include private sector individuals with financial background, who are not currently working in the financial sector as stipulated in the PDR and PIM. The mission was made to understand that this decision was taken by the PSC in view of the fact that private sector representation was already available from the Bankers Association of Malawi, RBM, FUM and MAMN. The mission advised that this requirement was very important considering that the Board Members of BAM, FUM and MAMN, are on their Boards as representatives of their respective institutions and this had a potential risk of conflict of interest. These independent Board members would therefore provide the necessary checks and balances. Secondly, instead of involving Board members of MAMN and BAM, the Executive Directors of those institutions would be ideal.

Partnership-building

Rating: 4

Justification of rating

Despite technical people being recruited in March 2019, the process of recruiting implementing partners is being handled with speed, of course without compromising quality. Factors that caused delays are beyond PMU control

Main issues

Banks, Credit Unions, Mobile Network Operators (MNOs), Community Based Financial Organisations (CBFOs), NGOs and Research Institutions are some of the partners that FARMSE will work with. Some of these are already preparing their proposals, and with proposal financing scheduled for beginning of June 2019, a review of their performance will be done in the next mission visit.

To reach out to more FSP's than those directly supported under component 2.2 the programme would establish partnerships with Industry associations such as Microfinance Network (MAMN), the Bankers Association of Malawi (BAM) and the MUSCO – specific support activities to include:

- Knowledge management in key innovations/lessons from the field
- Development of training manuals related to rural and agriculture finance for different target audiences:- eg loan officers, credit committee executives and board members
- Co-financing of a feasibility study for a microfinance Apex Fund at MAMN and;

In some instances however, some of these platforms have found it very difficult to influence Government policy. It is therefore being proposed that a technical working group comprising members from these institutions, as well as practitioners, concerned government ministries, development partners and other stakeholder be formed.

An Agricultural Finance Working Group (AFWG) is being proposed, where relevant public sector and development partners, industry associations, and FSPs engaged in rural finance and regulatory issues could participate. Such a group could identify and address key policy and regulatory issues, and serve as a conduit for knowledge management and information sharing.

Taking into account that there are so many working groups that are already in existence, the PMU has embarked on a study to review the available working groups, with a view to finding out possible synergies and how their capacity can be build.

Farmers Union of Malawi and the Reserve Bank of Malawi are also important stakeholders and FARMSE needs to engage them on policy and other matters. FUM have been implementing value chain programs. The programme has also pledged to look at ways it can work with Reserve Bank of Malawi to contribute to financial literacy strategy development, to incorporate rural and agriculture financing aspects. This can include rolling-out specific financial literacy sessions to rural communities and revise the school curriculum to incorporate rural and agricultural financial literacy aspects.

FARMSE also needs to look at complementary donor programs that are operating on similar programs and find out how best they can work together. An example of Global Communities, who are working on a financial inclusion program has already been given above.

Now that the technical people are on the ground, it is expected that in the time of the next supervision visit, most of these platforms will be readily available to FARMSE.

It will be important that FARMSE registers as a member of The Small Enterprise Education and Learning Network (The SEEP Network). It is a learning platform, which will help staff learn more on rural and agriculture finance.

Agreed Action	Responsibility	Agreed Date
Sustainability and Scaling up		
Funding of Grantee Recipients Proposals received and being evaluated.	PC/PFC/RMFS/CBFOS	06/2019
Commissioning a study to review TWG and their roles (this is intended to avoid duplications before creating some more) The Rural and Micro-Finance Expert has been requested to draw terms of reference.	PCO/RMFS/CBFOS	06/2019

Human and Social Capital and Empowerment

Rating:

Quality of Beneficiary Participation**Rating: 4****Justification of rating**

No assessment was made on the quality of beneficiary participation during the mission as FARMSE was in the process of recruiting community based organisations who will engage with beneficiaries during programme implementation.

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

The PMU conducted the necessary sensitisation workshops and they were well attended with different stakeholders. This program has just started after experiencing delays.

Main issues

65 institutions responded to the call for concept notes, out of which 31 were shortlisted for proposal development for ultra-poor graduation scaling-up, community based financial organisations (CBFO's) and innovation and outreach facility. Out of these only 2 are banks and none of the mobile network organisations (MNO) submitted concept note despite prior interest to participate in the programme. Considering the potential of reaching out to rural areas using MNOs, the programme should explore further engagements with the MNOs. Proposals will be submitted by 16th April, and it is anticipated that the first disbursements on these programs should be done by early June 2019.

The mission noted that there were only two proposals from Commercial Banks. The Mission further noted that there was no proposal being prepared under the Market Research and Feasibility Study window. The Mission agrees that FARMSE will explore means of mobilising and engaging potential partners in this area such as some FSPs and other organizations like MNOs, input suppliers, technical service providers (TSPs) and insurance companies on the programme objectives, including awareness on Component 2.2: Market Research and Feasibility Studies.

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
Sustainability and Scaling up		
PMU to explore engagement of MNOs, FSPs, input suppliers, banks and insurance companies (Very few and in some cases, no proposals are being prepared by these institutions in the first round) The process has been commenced.	PCO/RMFS/CBFOS/KMO	07/2019

Environment and Natural Resource Management**Rating:****Exit Strategy****Rating:****Potential for Scaling-up****Rating: 4****Justification of rating**

Despite the delays that the program has experienced, the PMU has already started some background work to review working groups that are in existence with a view to avoiding duplication and finding ways on how synergies can be created. Once this has been done, terms of reference around the issues outlined below will be drawn and by the time another review is conducted, it is anticipated that a lot of ground work would have already been done.

Main issues

The PDR has acknowledged that for most rural households, CBFOs can be helpful but they do not necessarily meet the credit needs of their members given the irregular nature of farm incomes and annual capital requirements for seeds and fertilizer. Notably, CBFOs loan and distribution sizes are small allowing for limited productivity enhancement. Rural households generally need funding for pre-harvest, pre-school year and pre-planting, when savings are not available or exhausted, and when CBFO loans may not be available.

While microfinance institutions have begun to collaborate with the CBFOs, and have introduced innovative products, which are profitable for rural outreach, which is what FARMSE is looking for, as non-deposit taking institutions however, they face the additional challenge of financing their loan portfolio.

It is therefore important that FARMSE should immediately start looking into the issue of working with MAMN and other stakeholders to facilitate a study for the creation of an APEX fund, which could provide a window for loanable funds. Another option would be to advocate for a less stringent law, which will allow lower-tier MFIs to start mobilizing voluntary savings. FARMSE could also look into the possibility of building the capacity of MFIs that have the potential to graduate into deposit-taking institutions. FARMSE needs to facilitate this discussion through an already existing technical group or to create a new one for this purpose, as this issue is very important for the program to realize its intended outcomes.

Banks would have provided a better option, but as usual they are showing signs of being risk averse. There were only two banks that responded to the call for proposals, which is very worrisome. Apart from the PMU engaging individual banks, there is a need to engage the Reserve Bank of Malawi and the Bankers Association to find out how this financial inclusion agenda can be pushed forward.

As agreed, MNOs fees to their agents and rural clients are a prohibiting factor for scalability. FARMSE needs to engage not only MNOs but also Malawi Communications Regulatory Authority (MACRA), with a view to discussing whether MACRA can reduce its charges to MNOs for the sake of supporting this financial inclusion agenda.

Agreed Action	Responsibility	Agreed Date
Sustainability and Scaling up		
Conduct a study to review TWGs (Need to look at feasibility Study for APEX Fund, review of deposit taking laws and building capacity of MFIs to become deposit-taking) Process has commenced.	PCO/RMFS/KMO	06/2019

c. Project Management

Quality of Project Management

Rating: 4

Justification of rating

The PMU is fully engaged in carrying out its role and responsibility in accordance with the programme organizational structure envisaged at design. The mission observed that the PMU is lagging behind in setting FARMSE up to speed. Most of programme activities are held back by procurement processes, partly due to lead agency's internal mechanisms.

Main issues

The PMU will take full charge of day to day programme management while receiving necessary support, facilitation and guidance from PFSPD. FARMSE uses the existing centralized Internal Procurement Committee (IPC) of the Ministry. However the mission is of the opinion that PMU needs clear operational modality for managing procurement through IPC of the Ministry, and should work closely with procurement unit of MoFEPD to ensure that government's procurement procedures are adhered to and procurement activities are delivered efficiently.

Agreed Action	Responsibility	Agreed Date
Project Management		
Recruitment of Grant Management Officer/ Consultant to effectively to coordinate and manage all contractual issues of FARMSE grantees	PC	05/2019
Consider recruitment of officer responsible for ultra-poor graduation	PC	10/2019

Knowledge Management

Rating: 4

Justification of rating

The KM and Communications Officer was recruited in March 2019. Terms of reference to conduct an information needs assessment survey has been prepared and revised by the mission. The study is expected to be finalized by the end of May. The findings of the study will guide the development and implementation of the programme Knowledge Management and Communications (KM&C) Strategy. KM activities have been identified in the 2019-2020 AWPB. On the communication aspects, the programme developed social media pages including Facebook and Twitter. TORs for the programme website are being developed.

Main issues

As identified in the KM work plan 2019/2020 the programme will implement the following activities:

- KM&C strategy development.** Based on the findings of the information needs survey, the programme will develop a KM&C Strategy for 2019-2025. The formative research survey will identify the knowledge, attitude and current practices (KAPs) gaps related to financial access for rural markets and smallholders enterprises among ultra-poor. Specifically the survey will: i) Assess the current capacity of knowledge management systems and processes; ii) Determine the current preferences and information-seeking behavior of FARMSE primary user group or audience; iii) Identify gaps and priorities to address in order to meet knowledge management needs of audience. The terms of reference to conduct the information needs assessment survey have been prepared and revised by the mission. The study is expected to be finalized by the end of-May while the KM&C strategy will be done by the end of July 2019. Examples and guidelines of the KM&C strategy have been shared with the KM officer.
- Production of knowledge management and Communication materials.** To create visibility the programme will identify success case studies: writing, publishing and sharing them through brochure, radio, TV, newsletter, meetings and online publications on the website, Facebook, YouTube, and Twitter. The programme will produce pull up banners, backdrop banners, calendars, diary, caps, Tshirts, jackets, branded cloth, branded pens, card holders, branded note pads and branded folders. Production will take place between June and December 2019.
- Development of FARMSE Website.** The TORs for the programme website have been drafted and the web site will be developed in June 2019. After development, the site will be linked it to various partners and stakeholders' websites such as IFAD, financial institutions, ministry of finance and others.
- Creation and building of Communication officers' network for FARMSE projects/partners/grantee.** The programme will create the Communication officers' network to intensify the contribution of the grantee and project partners towards the programme's visibility and scaling-up. There will be quarterly meetings to reflect on visibility of FARMSE projects by the grantee to be hosted and facilitated by FARMSE.
- Conducting media orientation training on FARMSE-** This activity aims to orient Malawian media on the concept of FARMSE; create and maintain media relations; create visibility of FARMSE in Malawi and beyond. The training is expected to take place in July and August 2019.
- M&E linkages.** To support the linkage between M&E and KM the MIS will have a section on KM.

Agreed Action	Responsibility	Agreed Date
Project Management		
Formative research survey Information need assessment conducted.	KM&C officer	05/2019
FARMSE Website Development of management of FARMSE Website.	KM&C officer	06/2019
KM and communication strategy Develop and finalize the programme KM&C strategy.	KM&C officer	07/2019

Value for Money

Rating: 4

Justification of rating

Programme implementation is somewhat efficient. The recruitment exercise exceeded anticipated budget and was implemented with delays. The LPA had resorted to undertake recruitment of staff in-house rather than outsourcing to a consultant which was a cheaper available alternative as anticipated during budget. The three other activities were implemented within schedule and within anticipated budget.

Main issues

Below is the summary of some of the programme activities undertaken as at 31st March 2019

Activity	Target Output	Actual Output	Actual Inputs (USD)	Budgeted Inputs (USD)	% Budget Utilisation	Implementation status
National Stakeholder workshops	3	3	23,519	49,250	48%	Within budget and timely
Guidelines for selection of partners of ultra-poor	1	1	12,718	26,694	48%	Within budget and timely
Guidelines for selection of IOF partners	1	1	3,173	5,048	63%	Within budget and timely
Recruitment of PMU staff	11	9	26,916	11,382	236%	Exceeded budget and delayed

Coherence between AWPB and Implementation

Rating: 4

Justification of rating

Under the 3 main project components an average of 30% of the planned activities are fully implemented, 30% are on-going and 40% are delayed. Since the main issues that caused the delayed are now solved, the project is expected to progressing faster and achieved about 70-80% of the planned activities by the end of the fiscal year July 2019.

AWPB Inputs and Outputs Review and Implementation Progress

Activity progress measured against the 2018/2019 AWPB. Under the 3 main project components an average of 30% of the planned activities are fully implemented, 30% are on-going and 40% are delayed. Since the main issues that caused the delayed are now solved, the project is expected to progressing faster and achieved about 70-80% of the planned activities by the end of the fiscal year. Under component 4 all the activities are on-going and an average of 55% of the planned activities are fully implemented.

Progress by components and sub components:

- Component 1: among 5 key activities 2 are fully implemented (40%), 1 is on-going (20%) and 2 are delayed (40%)
- Component 2: overall 25 % of activities are fully implemented, 25% on-going and 50% delayed. Specifically under sub component 2.1 among 6 activities only 1 has been fully implemented (17%), 2 are on-going (33%) and the remaining 3 are delayed (50%). Under sub component 2.2 among 6 activities 2 are fully implemented (33%), 1 is on-going (17%) and 3 are delayed (50%).
- Component 3: overall 17% of activities are fully implemented, 50% on going and 33% delayed. Specifically under sub component 3.1 among 3 activities 1 is fully implemented (33%) and 2 are on-going (67%). Under sub component 3.2 at among 3 activities 1 is on-going (33%) and 2 were not implemented due to delay in recruiting the KM officer (66%).

Overall financial progress are in line with physical progress. The mission appreciated that the project is reporting expenditures by component and by activity.

Performance of M&E System

Rating: 4

Justification of rating

The TORs to conduct the baseline survey have been revised before the mission and finalized by the programme team. The baseline is expected to be conducted between the end of June and the beginning of July. The TORs for the development of the Management Information System have also been finalized and advertised locally and internationally. The consultant was expected to be on board by mid-June. The logical framework (logframe) was revised during the start-

up workshop and the IFAD core indicators were introduced. The final logframe will be uploaded in Operational Results Management System (ORMS) of IFAD by end of April 2019.

M&E System Review

Management Information System. In order to improve planning and decision-making for effective programme management towards results and impact, the programme is in the process of hiring an IT consultant to develop an integrated management information system (MIS). The TORs have been finalized and advertised locally and internationally. The consultant was expected to be on board by mid-June.

The system will: i) measure the achievement of the logical framework indicators (including the IFAD Core Indicators); ii) assess the performance of implementing agencies and external service providers; iii) assess project outcomes and impacts partner stakeholders including clients, specifically women and youth; v) identify successes and good practices; and vi) share knowledge as appropriate with project stakeholders to support dialogue and decision making.

It will be formed by 3 elements: i) Software to collect, collate and analyze quantitative and qualitative data. Prepare reports for different use: monthly, quarterly, semi-annual and annual report; progress on the logical framework, AWPB (physical and financial aspects) and KM; ii) SMS interface that facilitate participatory beneficiary feedback or data collection through their mobile phones; ii) GIS technology to collect geo-reference data.

Reporting template and data collection tools will be developed by the PMU in consultation with the IT specialist and with the input of project stakeholders.

Baseline. The TORs to conduct the baseline survey were revised before the mission and finalized by the project team. The baseline is expected to be conducted between the end of June and the beginning of July.

By this time, the programme is expected to have a more accurate selection of targeted households that will benefit from project interventions. The baseline will provide benchmark information that will enable FARMSE to assess the extent to which programme objectives and outcomes have been achieved by making a comparative analysis to establish changes among targeted rural beneficiaries disaggregated by gender and age (youth). In line with the programme design document the baseline study will include a target group and a control group, and will incorporate the Multi-dimensional Poverty Assessment Tool (MPAT) and the Women's Empowerment in Agriculture Index (WEAI). Follow up surveys will be conducted at mid-term and end-term of the programme.

Log frame. The logical framework (logframe) was revised during the start-up workshop and the IFAD core indicators were introduced. However, the document was not finalized. The logframe will be revised by the project team, especially at outcome and outputs levels, to include all the missing information (available in the PDR log frame) such as targets, means of verifications, assumptions etc. The final logframe will be uploaded in Operational Results Management System (ORMS) of IFAD by end of April 2019. Targets and baseline information will be adjusted based on the results of the baseline survey.

Agreed Action	Responsibility	Agreed Date
Project Management		
Logical framework Finalize the programme logframe.	M&E officer	04/2019
MIS Develop the programme MIS.	M&E officer	06/2019
Baseline survey Conduct the baseline survey.	M&E officer	07/2019

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

Rating: 3

Justification of rating

Project activities have not started yet. There is no reporting against SECAP Review Note. Despite being in its tenth month the project is rated 3, as it has not aligned to SECAP requirements yet.

It is strongly advised to develop ESMF, budget activities and mitigation measures to achieve set targets and proactively monitor and report against it, in order to screen the lending activities.

PMU Staff & FSP should be trained on environment, climate change measures & SECAP compliances of FARMSE. For sustainability of their financial service provisions & operations, FSPs could provide advisory support on environment & climate change management to end-users.

FSP should integrate climate & environment considerations into their strategies, operations and procedures through establishment of ESMS.

SECAP Review

The SECAP Review Note in PDR has provided i) an overview of the social, natural resource, environmental and climate issues of Malawi, ii) environmental and social classification as B and climate risk category as medium and iii) recommended mitigation measures. There is yet no reporting against the SECAP Review Note.

The PMU should ensure the effective implementation of appropriate, preventative and corrective measures specified under Environment and Social Management Framework (ESMF). The monitoring and reporting compliance needs to be robustly and regularly undertaken.

The ESMF needs to be implemented as part of the overall M&E system of FARMSE with an aggregate indicator featuring in the project Logframe.

The PMU needs to assess the capacity of the FSPs to manage the environment, climate and social risks. The PMU needs to conduct environmental and social due diligence of the FSP. The PMU and the FSPs, need to develop a time-bound plan to address capacity gaps.

FSPs should have or establish an appropriate Environment and Social Management Systems.

It is essential that the FSP activities comply with national laws, regulations (labour, safety etc.) and the exclusion list of the International Finance Corporation.

Guidance for monitoring and evaluation of the project's environmental and social performance should be detailed in the Environmental and Social Management Framework. The project M&E and KM officers should be trained on how to monitor environmental and social performance of service providers.

A grievance redress mechanism needs to be set up at the programme level.

IFAD Malawi can draw on the resource of IFAD's Responsible Finance for Agriculture (ReFiSA) programme. In this report the results of an in-depth Climate and Environmental, Social and Governance (C&ESG) status analysis are synthesized for 32 FSPs operating across 7 of IFAD's partner countries in East and Southern Africa (including Malawi). This research aims at evaluating ReFiSA's initial assumptions (that the rural finance projects had not yet explicitly integrated C&ESG considerations) by establishing the 'status quo' of C&ESG adoption across FSPs, with the ultimate goal of preparing fit-for-purpose trainings and a toolkit in the coming period. A secondary aim is to support the continual improvement of IFAD's Country Offices and Project Management Units (PMUs) to apply C&ESG tools in their current and future programming.

Agreed Action	Responsibility	Agreed Date
Project Management		
Capacity Building and Training - PMU Staff and Partners on environment and climate change and SECAP compliances	PMU Coordinator	08/2019
Develop ESMF Budget the activities and mitigation measures in AWP/B and proactively monitor and report against it.	PMU Coordinator, KM and M&E Officer	11/2019

d. Financial Management & Execution

Disbursement by financier

Type	Name	Current Amount	Disbursed Amount	Actual Rate
Domestic Financing breakdown	Private sector local	\$6,151,000		
	National Government	\$9,582,000		

Acceptable Disbursement Rate

Rating: 2

Justification of rating

The project is in its 7th month of implementation and the disbursement rate on IFAD financing is 5.4%. There have not been any extensions. The IFAD disbursement profile for a credit programme that has been effective for one year is 17%. It should be noted the main issues slowing down programme implementation have been resolved during this mission and it is expected that the disbursement rate will pick up

Main issues

Flow of funds The Mission noted bureaucracy in payment processing of the programme such signing powers of operational accounts effectively rested with the LPA resulting in slow down of programme disbursements. The procurement process was also controlled by the LPA who were pre-screening procurement requests by the PMU before their submission to the IPC thereby creating additional bottle necks in the disbursement process. The Mission recommended that the day-to-day financial management operations of the programme should be delegated to the PMU who have adequate skills and experience in implementing IFAD- financed projects and the LPA's role should be that of providing strategic guidance.

Advance withdrawal from the Authorised Allocation: Under the imprest arrangements, FARMSE has an authorised allocation of US\$3 million and the LtB limited the initial advance to US\$2 million, which the programme has fully drawn. During the Mission, an assessment was made of the cash flow requirements of the programme to the end of the current fiscal year, 30th June 2019. The review highlighted that major cash outflows will be disbursements to grantees under components 1 and 2. In the 2018/2019 AWPB an allocation of US\$3.45 million was made towards such grant disbursements, and the programme anticipates to disburse in the months of May 2019 and June 2019 amounts in excess of US\$1.5million following the completion of proposal evaluations currently underway. As such the Mission recommends that FARMSE processes a withdrawal application to access the balance of US\$1million of the authorised allocation to ensure sufficient liquidity when needed.

Agreed Action	Responsibility	Agreed Date
Financial Management & Execution		
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: 5

Justification of rating

The programme has put in place sound financial management arrangements with minor shortcomings in most FM areas except in payment processing where requirements were met but delays were experienced affecting overall programme implementation. Yearly financial budgets are available for project activities and actual expenditures often monitored and significant variations followed up. Special account transactions have been fully documented, with few exceptions. Appropriate internal controls over most programme expenditures and assets are in place and function effectively. Complete, accurate and reliable financial reports of the financing sources and uses of funds have been generated regularly throughout the implementation period facilitating monitoring of financial progress.

Main issues

Staff: The designated FM staff of FARMSE comprises of Financial Controller (FC) and Accountant. FC has extensive experience in IFAD- financed projects and the Accountant has adequate experience and qualifications required to discharge the FM functions of the programme. They both have been hired competitively and are on performance –based contracts. Their contracts have clear terms of reference relating to the fiduciary aspects of the programme. As part of the implementation support to FARMSE during the Mission, a review was undertaken of the PMU's capacity to provide financial management support to grantees to ensure that resources channeled to partners are properly utilized and accounted for and that there is assurance for value for money. The review highlighted the following issues with respect to grant management:

1. That the accounting for grants were that such that grants are expensed upon their disbursement to successful applicants;
2. That over 50% of the programme financing will be implemented through grantees; In the 2018/2019 AWPB disbursement to grant recipients made up 64 percent of the total budget of US\$5.4 million.
3. That in the design, management of the fiduciary aspects of the grants was placed under the Financial Controller while M&E Specialist has responsibility over the physical progress of implementations by grant beneficiaries. Given that the FC has key responsibility over the FM aspects of the programme such as budgeting, disbursements, accounting and financial reporting with many demands, the financial management support to grant beneficiaries may be compromised. The assessment concluded that role of grant management is key to FARMSE and may ideally be undertaken by a grant officer or consultant under technical assistance budget. The Mission recommends that the programme liaises with IFAD on funding possibilities for this role as it was not in the programme design.
- 4.
- 5.

Budgeting: The programme had prepared the draft budget for FY2019 /2020 and it was ready for review by the PSC before submission by MoFEPD to IFAD at least 60 days before the beginning of the proceeding programme year, for review and expression of No Objection. The Mission noted that submission of the 2018/2019 AWPB to IFAD was delayed by additional internal review processes of the LPA. It is recommended that all reviews and approvals should be undertaken as envisaged in the design to avoid implementation delays. The 2018/2019 AWPB was input in the accounting software and it is used to track programme activities.

Accounting and Financial Reporting: The accounting and financial reporting function of FARMSE is centralized at the PMU. Transactions are timely and accurately reported in the accounting system and financial reporting is automated. The chart of accounts is adequate for project accounting purposes and it aggregates data by expenditure category, financier, component, sub-component and activity. Special accounts reconciliations are accurately prepared. Adequate documentary support for SOE reimbursement under WA # 2 was provided, with few exceptions noted.

Internal Controls and Internal Audit Arrangements: Guidance on FM processes is contained in the draft PIM draft Accounting Manual and some operational guidelines. It is recommended that a comprehensive Financial Management Manual be developed consolidating the draft Accounting Manual, draft PIM and some operational guidelines, the main focus being on how to execute key decision processes in the financial management cycle of the programme. This will be core part of the PIM and should be submitted to IFAD for review and for No Objection. There was one internal audit exercise undertaken on the programme which had just been completed and its report was not yet finalised by the time of this mission.

Agreed Action	Responsibility	Agreed Date
Financial Management & Execution		
Grants management Engage grant officer/consultant to coordinate and manage grant contracts with grant recipients	Programme Director	04/2019
Grants management Grantees shall be coded in the chart of accounts under programme activities to facilitate control and monitoring of the amounts disbursed to them	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

Quality and Timeliness of Audit

Rating: 4

Justification of rating

The first external audit of the programme is required for the period ending 30 June 2019. The PMU has submitted a request through the MoF to the National Audit Office to conduct the audit

Counterparts Funds

Rating: 4

Justification of rating

Government contribution in form of tax waivers as at March 2019 were \$136,333 exceeding the budgeted contribution of US\$78,259 in the 2018/19 AWPB. In line with the financing agreement, the Government is expected to make cash contributions for US\$3million during the life of the programme. No cash contribution has yet been made as such more than \$20,652 of IFAD finance was used to settle VAT as at March 2019 and the amount is yet to be reimbursed to the programme.

Compliance with Loan Covenants

Rating: 4

Justification of rating

The Programme is in compliance with key covenants. Non-compliance with respect to absence of an approved Programme Implementation Manual (PIM) which is critical to guide programme implementation. The review of the draft PIM found that it needs to be improved substantially and this could affect project implementation or achievement of development objectives. Compliance is expected in the near future.

Procurement

Procurement

Rating: 4

Justification of rating

The Mission rates the compliance with procurement as moderately satisfactory. Review of the status of implementation of

the 2018/2019 procurement plan shows a delay in the implementation of the plan, as it currently stands at 28% while only 2 months are left on the implementation of the first project AWPB. All other aspects reviewed have shown no critical issues that could negatively affect implementation.

Procurement Review

The 2018/2019 project procurement plan contained 29 items, and as at 10 April 2019 FARMSE has signed 8 contracts under this plan, hence the 28% execution rate. Several other procurement processes have been initiated and are under way. The project is staffed by one Procurement Officer, well versed in the Government of Malawi project procurement regulations and guidelines. However, as the project quickly increases its implementation speed, it was agreed that IFAD and GoM shall review whether the volume of work would require that the FARMSE hires a procurement assistant to support the project. This assessment should be conducted during implementation of the 2019/2020 AWPB. Furthermore, the Procurement Officer could benefit from training on IFAD project procurement guidelines. It must be noted that all FARMSE procurement decisions must be approved by an Internal Procurement Committee (IPC) set up by the Ministry of Finance. The IPC meets with a weekly frequency. While this arrangement reduces the project flexibility on the approval of procurement processes, proper planning of project procurement activities becomes fundamental to ensure the timely delivery in procurement, also taking into account the need to obtain IFAD No Objection once prior review thresholds are met and/or surpassed. As implementation pace increases, IFAD and GoM should reassess whether it would be in the best interests of the project to set an independent IPC to oversee FARMSE's procurement processes, which may be called upon without the time constraints of the Ministry's IPC. Furthermore, the Mission reviewed the procurement guidelines for the project's grant facility. These guidelines appear to mirror closely the project's own procurement guidelines, and hence are now sufficient for the proper functioning of the facility. It was agreed that the next Supervision Mission shall perform a thorough post procurement review of the project.

F. Agreed Actions

Agreed Action	Responsibility	Agreed Date
Overview and Project Progress		
Fast track cyclone response	MoFEPD/PMU	05/2019
PMU to explore engagement of MNOs, FSPs, input suppliers, insurance	RMFS/CBFOS	07/2019
Review evaluation criteria/guidelines to address gaps identified during the first use of the criteria/guidelines	PCO/RMFS/CBFOS	07/2019
Review PIM to clarify roles and responsibilities and facilitate effective modes of implementation	PMU/IFAD	08/2019
Engage consultant to map out the spread of financial services to identify under-served areas	RMFS/CBFOS	09/2019
Development Effectiveness		
Selection of Implementing Partners, FSPs, CBFOS for Component 1.0 and 2.0 based on gender and social inclusion criteria The selection criteria focusing on social inclusion and gender are provided in details in the Guidance Note on Gender Equality. Please refers to the sections III, IV and V on "User Needs and Outreach to the Poorest, Selection criteria of FSPs/CBFOS and Social Performance Indicators for FSPs.	PMU Coordinator	06/2019

Staffing Staff TOR to be revised to incorporate Gender and social inclusion in the work deliverables. A gender and youth focal person should be appointed within PMU Staff.	PMU Coordinator	06/2019
Develop Social Inclusion, Youth and Gender Strategy	PMU	07/2019
Social Inclusion, Youth and Gender Strategy Expediting the planning of Household Methodology and its implementation.	PMU Coordinator	07/2019
Capacity building of PMU Staff and Implementing Partners The capacity building themes are outlined in the Guidance Note on Gender Equality. It is imperative that this is reflected in AWP/B.	PMU Coordinator	09/2019
Sustainability and Scaling up		
Funding of Grantee Recipients Proposals received and being evaluated.	PC/PFC/RMFS/CBFOS	06/2019
Commissioning a study to review TWG and their roles (this is intended to avoid duplications before creating some more) The Rural and Micro-Finance Expert has been requested to draw terms of reference.	PCO/RMFS/CBFOS	06/2019
Conduct a study to review TWGs (Need to look at feasibility Study for APEX Fund, review of deposit taking laws and building capacity of MFIs to become deposit-taking) Process has commenced.	PCO/RMFS/KMO	06/2019
PMU to explore engagement of MNOs, FSPs, input suppliers, banks and insurance companies (Very few and in some cases, no proposals are being prepared by these institutions in the first round) The process has been commenced.	PCO/RMFS/CBFOS/KMO	07/2019
Project Management		
Logical framework Finalize the programme logframe.	M&E officer	04/2019
Formative research survey Information need assessment conducted.	KM&C officer	05/2019
Recruitment of Grant Management Officer/ Consultant to effectively to coordinate and manage all contractual issues of FARMSE grantees	PC	05/2019

FARMSE Website Development of management of FARMSE Website.	KM&C officer	06/2019
MIS Develop the programme MIS.	M&E officer	06/2019
KM and communication strategy Develop and finalize the programme KM&C strategy.	KM&C officer	07/2019
Baseline survey Conduct the baseline survey.	M&E officer	07/2019
Capacity Building and Training - PMU Staff and Partners on environment and climate change and SECAP compliances	PMU Coordinator	08/2019
Consider recruitment of officer responsible for ultra-poor graduation	PC	10/2019
Develop ESMF Budget the activities and mitigation measures in AWP/B and proactively monitor and report against it.	PMU Coordinator, KM and M&E Officer	11/2019
Financial Management & Execution		
Grants management Engage grant officer/consultant to coordinate and manage grant contracts with grant recipients	Programme Director	04/2019
Grants management Grantees shall be coded in the chart of accounts under programme activities to facilitate control and monitoring of the amounts disbursed to them	FC	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

<p>Finalize PIM</p> <p>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</p>	FC	05/2019
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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	Cumulative Result	Cumulative Result %	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										
	Males										
	Young										
	Not Young										
	Indigenous people										
	Non-Indigenous people										
	Total number of persons receiving services		402 130	433 130							
	1.a Corresponding number of households reached							Implementing partner's & PMU progress reports	Annual	Implementing partners & PMU	
	Non-women-headed households										
	Women-headed households										
	Households										
	1.b Estimated corresponding total number of households members							Implementing partner's & PMU progress reports	Annual	Implementing partners & PMU	
	Household members		1 688 946	1 819 146							

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result	Cumulative Result	Cumulative Result %	Source	Frequency	Responsibility	
Project Goal To reduce poverty, improve livelihoods and enhance the resilience of rural households on a sustainable basis.	Proportion of people living below poverty line (BPL)										Stable political & macroeconomic environment (A)
	Persons BPL/Population	48									
	Reduced prevalence of malnutrition										
	Number of people with greater Resilience										
	Improved households assets										
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							
	Improved outreach of sustainable rural financial services to rural poor.										
	services		328 000	417 774							
	Number of persons/households reporting using rural financial services (RIMS CI)										
	Households		328 000	417 774							
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							
	Percentage of women reporting improved quality of their diets (RIMS CI)										
	Females		65	75							
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							
	Number of persons/households provided with targeted support to improve nutrition (RIMS CI)										
	Households		15 000	15 000							

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result	Cumulative Result	Cumulative Result %	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							
	Number of increment rural CBFO members.										
	Number of increment rural CBFO members		72 000	90 000							
Output Output 2.1.1: CFBO support organizations expand network of CFBO groups	Number of persons in rural areas accessing financial services (CFBO +FSPs) (RIMS CI)										Sufficient demand from CBFO support organisations (A) and poor level of client uptake (R)
	Number of persons		328 000	417 774							
	Number of persons in rural areas accessing CFBO financial services										
	Number of persons		350 574	380 574							
	No. of existing groups restructured										
	No. groups		15 400	16 143							
	No. of CBFO groups linked to formal financial institutions										
	No. CBFO groups		13 500	15 000							
	No. of new CBFOs formed										
	No. of new CBFOs formed		4 000	5 000							
	Number of retrained CBFO members										
	Number of retrained CBFO members		90 000	290 574							
Outcome Outcome 2.2: Enhanced capacity of FSPs to deliver demand-driven services in rural areas	Percentage of partner financial service providers with portfolio-at-risk ≥30 days below 5% (RIMS CI)										High effective demand from rural clients (A); inappropriate financial products from FSPs (R)
	% Providers			100							

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result	Cumulative Result	Cumulative Result %	Source	Frequency	Responsibility	
	Percentage of partner financial services providers with operational self-sufficiency above 100% (RIMS CI)										
	% Providers			100							
	Number of incremental rural clients accessing formal financial service s or products by partner FSPs										
	No. Clients		35 500	37 200							
	Number of value chain groups linked to FSPs										
	Number of value chain groups linked to FSPs		15	27							
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										
	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	Number of financial service providers supported in delivering outreach strategies, financial products and services to rural areas (RIMS CI)										High effective demand from rural clients (A); inappropriate financial products from FSPs (R)
	No. Providers		8	8							
	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							

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result	Cumulative Result	Cumulative Result %	Source	Frequency	Responsibility	
Outcome Outcome 3.1.1: Multi-ministerial coordination and capacity to manage poverty graduation programmes are enhanced	Number of functioning graduation multi-stakeholder platforms supported (RIMS)										Organizations with key contributions can be identified and have sufficient capacity to undertake assignments (A) Stakeholder unwilling to work cooperatively (R)
	Multi-stakeholder platforms		1	1							
Output Output 3.1.1.1: 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	10							
Outcome Outcome 3.2.1: Institutions, policies and regulations supporting greater financial sector outreach and innovation are strengthened	Number of existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment (RIMS CI)										Organizations with key contributions can be identified and have sufficient capacity to undertake assignments (A) Stakeholder unwilling to work cooperatively (R)
	existing/new laws, regulations, policies or strategies		1	2							

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result	Cumulative Result	Cumulative Result %	Source	Frequency	Responsibility	
Output Output 3.2.1.1: Enhanced financial sector regulatory, policy and institutional capacity	Number of functioning multi-stakeholder platforms supported (RIMS CI)										Organizations with key contributions can be identified and have sufficient capacity to undertake assignments (A) Stakeholder unwilling to work cooperatively (R)
	multi-stakeholder platforms		3	5							
Outcome Outcome 3.2.2: Rural finance sector support organizations capacity and knowledge increased	Percentage 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		10	10							
Output Output 3.2.2.1: Rural inclusive finance good practice and knowledge produced and disseminated	Number of rural finance knowledge products/services documented and disseminated										Organizations with key contributions can be identified and have sufficient capacity to undertake assignments (A) Stakeholder unwilling to work cooperatively (R)
	knowledge products/services		5	5							

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: 8-12 April 2019
Document Date 02/08/2019
Project No. 2000001501
Report No. 5081-MW

East and Southern Africa Division
Programme Management Department

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

Table 2A: Financial performance by financier as at 31 March 2019

Financier	At Appraisal (USD'000)	Disbursements (USD '000')	Per cent disbursed
IFAD loan	21,000	1,137	5.4%
IFAD grant	21,000	1,140	5.4%
Government	9,579	136	1.4%
Private Sector	6,151	0	0.0%
Total	57,730	2,413	4.2%

Table 2B: Financial performance by financier by component (USD '000) as at 31 March 2019

Component	IFAD LOAN			IFAD GRANT			Government			Private Sector			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
1. Graduation of Ultra- Poor Households	5,337	22	0%	5,337	22	0.4%	5,153		0%	0	0		15,827	44	0.28%
2. Support to Financial Innovation and Outreach	12,283	14	0%	12,283	14	0.1%	3,316		0%	6,151		0%	34,033	27	0.08%
3. Strategic Partnerships, Knowledge Generation and Policy	762	4	0%	762	4	0.5%	289		0%	0			1,813	7	0.40%
4. Programme facilitation and management	2,618	305	12%	2,618	305		822	137	17%	0			6,058	747	12.33%
Total	21,000	344	2%	21,000	344	2%	9,580	137	1%	6,151	0	0%	57,731	825	1.43%

Table 2C: IFAD loan disbursements (USD, as at 31 March 2019)

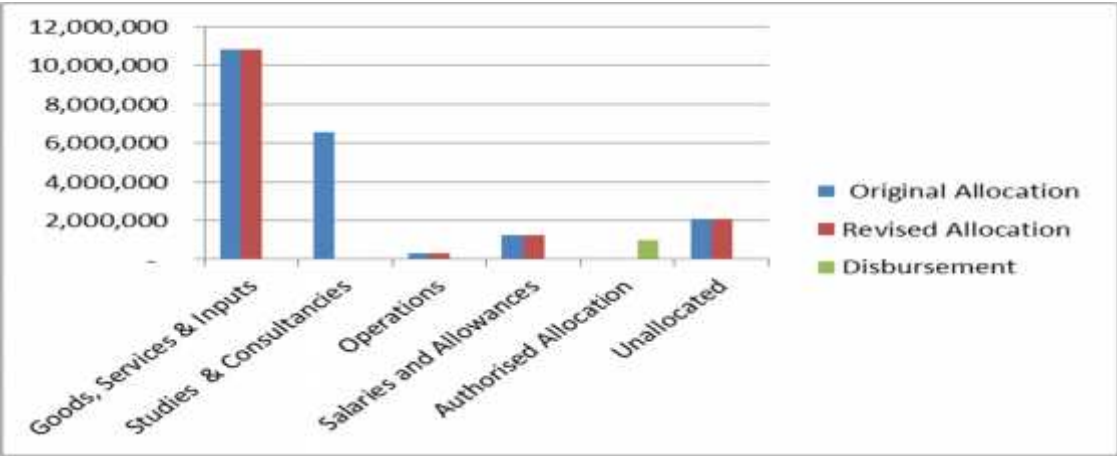
Category	Category Description	Original Allocation	Revised Allocation	Disbursement	WA Pending	Balance	Per cent Disbursed
200013	Goods, Services & Inputs	10,800,000	10,800,000	54,958		10,745,042	0.51%
200008	Studies & Consultancies	6,550,000	6,550,000	280		6,549,720	0.00%
200016	Operations	300,000	300,000	19,474		280,526	6.49%
200018	Salaries and Allowances	1,250,000	1,250,000	62,018		1,187,982	4.96%
270001	Authorised Allocation	-	-	1,000,000		(1,000,000)	
290001	Unallocated	2,100,000	2,100,000			2,100,000	0.00%
	Total	21,000,000	21,000,000	1,136,730	-	19,863,270	5.41%

Table 2d: IFAD grant disbursements (USD, as at 31 March 2019)

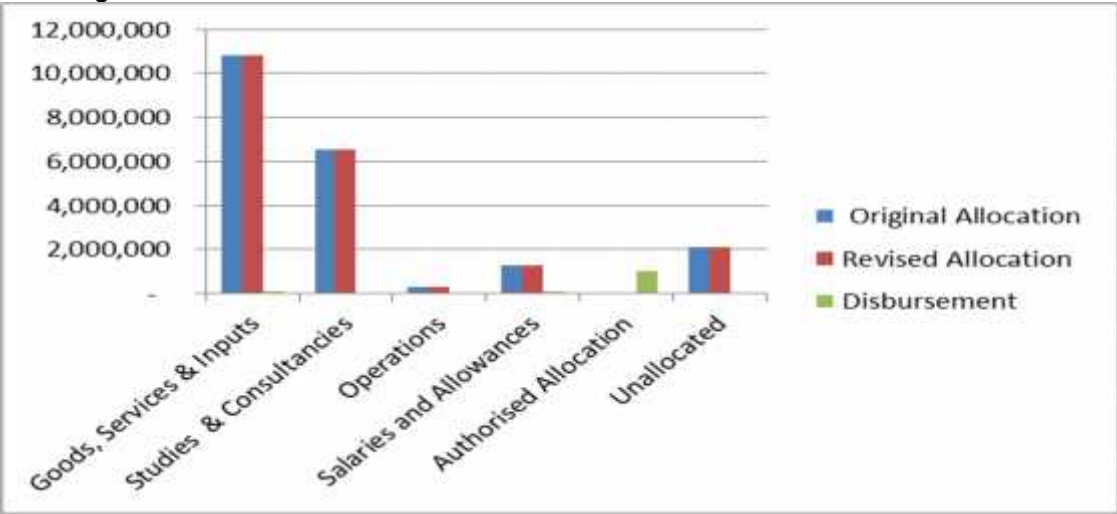
Category	Category Description	Original Allocation	Revised Allocation	Disbursement	WA Pending	Balance	Per cent Disbursed
200013	Goods, Services & Inputs	10,800,000	10,800,000	55,913		10,744,087	0.52%
200008	Studies & Consultancies	6,550,000	6,550,000	280		6,549,720	0.00%
200016	Operations	300,000	300,000	18,999		281,001	6.33%
200018	Salaries and Allowances	1,250,000	1,250,000	64,988		1,185,012	5.20%
270001	Authorised Allocation	-	-	1,000,000		(1,000,000)	
290001	Unallocated	2,100,000	2,100,000			2,100,000	0.00%
	Total	21,000,000	21,000,000	1,140,180	-	19,859,820	5.43%

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

A. IFAD loan



B. IFAD grant



Appendix 3: Compliance with legal covenants: Status of implementation

Section	Covenant	Target/Action Due Date	Status/Date
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	Partial. Draft PIM need revision
Schedule 3 Para 1	Mainstream gender concerns in all programme in all programme activities	Continuous	To be monitored during implementation
Schedule 3. Para 2	Financing proceeds be exempt from all taxes	Continuous	Complied
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	Not assessed. To be monitored during implementation
Schedule 3 Para 4	Programme ensure that key staff are recruited and in the event of turnover they are replaced timely	Continuous	To be monitored during implementation
GC Section 4.02.b	No withdrawal shall be made from the Loan and/or Grant Accounts until the first AWPB has been approved by the Fund.	July 2018	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	To be monitored during implementation
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	To be monitored during implementation
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	To be monitored during implementation
GC Section 8.3 (a)	Furnish to the Fund periodic progress reports in such form and substance as required	Each calendar Quarter	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.	30 September, each year	Not yet due
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	Not yet due Not yet due
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: 8-12 April 2019
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Project No. 2000001501
Report No. 5081-MW

East and Southern Africa Division
Programme Management Department

Appendix 2

2018/2019 Physical Progress against AWPB as at April 2019

Output/Indicator	Unit	Youthfulness	Annual target	Annual Result	Annual % Achieved	Appraisal Target	Revised Target	Cumulative Results	Cumulative %
Component 1: Ultra-poor graduation model development and up-scaling									
Output 1.1: Effective graduation programme models developed and rolled out									
Number of households reached with graduation activities	Male	Youth	500	0	0	2,000	1,500	0	0
		Non-Youth	2,000	0	0	8,000	6,000	0	0
	Female	Youth	500	0	0	1,000	1,500	0	0
		Non-Youth	2,000	0	0	4,000	6,000	0	0
Component 2: Support to Financial Innovation and Outreach									
Component 2.1: Community Based Financial Organisations Support									
Output 2.1: CFBO support organizations expand network of CFBO groups									
Number of persons in rural areas accessing CFBO financial services	Male	Youth	0	0	0	53,280	38,057	0	0
		Non-Youth	0	0	0	213,121	152,230	0	0
	Female	Youth	0	0	0	22,834	38,057	0	0
		Non-Youth	0	0	0	91,338	152,230	0	0
No of existing groups restructured	Number		0	0	0	16,143		0	0
No of CBFO groups linked to formal financial institutions	Number		0	0	0		15,000	0	0
Number of retrained CBFO members	Number		0	0	0		288,000	0	0
Component 2.2: Innovation and Outreach Facility									
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 delivering outreach strategies, financial products and services to rural areas (RIMS CI)	Number		5	0	0		15	0	0
At least five (5) new/improved sustainable financial products/services or low-cost delivery mechanisms developed and rolled out	Number		0	0	0	5	5	0	0

Output/Indicator	Unit	Youthfulness	Annual target	Annual Result	Annual % Achieved	Appraisal Target	Revised Target	Cumulative Results	Cumulative %
Output 2.2.3: Proven innovative rural financial products/services and low-cost delivery mechanisms for targeted low-income households scaled up									
Number of existing innovative rural financial product/service or low-cost delivery mechanism supported for scaling-up	Number		5	0	0		5	0	0
Component 3: Strategic Partnerships, Knowledge Generation, and Policy									
Subcomponent 3.1 –Support for Poverty Graduation Policy and Systems									
OUTPUT 3.1: Support for development of Poverty Graduation Policy/Strategy and Systems									
Number of policy forums/workshops to develop graduation models	Number		1	1	100		10	1	10
Subcomponent 3.2 –Support for development and/or review of broader and inclusive Rural Finance Policies/Strategy									
Output 3.2: Support for macro level regulatory and financial sector policy guidance									
Number of policy-relevant knowledge products completed (RIMS CI)	Number		0	0	0		5	0	0
Output 3.3: Support to financial sector organizations/ infrastructure provided									
Number of functioning multi-stakeholder platforms supported (RIMS CI)	Number		1	0	0		2	0	0
Number of rural finance awareness/knowledge forums/platforms (Number of functioning multi-stakeholder platforms supported - RIMS)	Number		1	0	0		15	0	0
Number of persons in rural areas trained in financial literacy (RIMS C.....)	Number		0	0	0		417,774	0	0

Malawi

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

Appendix 3: Compliance with legal covenants: status of implementation

Mission Dates: 8-12 April 2019
Document Date 02/08/2019
Project No. 2000001501
Report No. 5081-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/Date
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	Partial. Draft PIM need revision
Schedule 3 Para 1	Mainstream gender concerns in all programme in all programme activities	Continuous	To be monitored during implementation
Schedule 3. Para 2	Financing proceeds be exempt from all taxes	Continuous	Complied
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	Not assessed. To be monitored during implementation
Schedule 3 Para 4	Programme ensure that key staff are recruited and in the event of turnover they are replaced timely	Continuous	To be monitored during implementation
GC Section 4.02.b	No withdrawal shall be made from the Loan and/or Grant Accounts until the first AWPB has been approved by the Fund.	July 2018	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	To be monitored during implementation
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	To be monitored during implementation

Section	Covenant	Target/Action Due Date	Status/Date
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	To be monitored during implementation
GC Section 8.3 (a)	Furnish to the Fund periodic progress reports in such form and substance as required	Each calendar Quarter	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.	30 September, each year	Not yet due
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	Not yet due Not yet due
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