

## **Republic of Zambia**

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### **Rural Finance Expansion Programme (RUFEP)**

#### **Supervision report**

#### **Main Report and Appendices**

Mission Dates: 17 October – 4 November 2016  
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## Abbreviations and acronyms

AWPB	Annual Work Plan and Budget
BoZ	Bank of Zambia
CBFI	Community Based Financial Institution
CHAZ	Churches Health Association of Zambia
DBZ	Development Bank of Zambia
EMD	Economic Management Department
EOI	Expression of Interest
FSDZ	Financial Sector Deepening Zambia
FSPs	Financial Service Providers
GRZ	Government of the Republic of Zambia
ICO	IFAD Country Office
IDMD	Investment and Debt Management Department
ILO	International Labour Organization
IFAD	International Fund for Agricultural Development
IFMIS	Integrated Financial Management Information System
IOF	Innovation and Outreach Facility
IPs	Implementing Partners
IRC	Internal Review Committee
KCCC	Kasama Christian Community Care
KM&T	Knowledge Management and Technical Support
KZF	Keepers Zambia Foundation
MED	Monitoring and Evaluation Department
MFI	Micro Finance Institution
MoDP	Ministry of Development Planning
MoF	Ministry of Finance
MOU	Memorandum of understanding
MSME	Micro Small and Medium PIM      Programme Implementation Manual
PCO	Programme Coordination Office
PVC	Programme Vetting Committee
PSC	Programme Steering Committee
REES	Rural Economic Expansion Services
RIMS	Results and Impact Management System

## **A. Introduction<sup>1</sup>**

1. The Rural Finance Expansion Programme (RUFEP) is an eight year programme, with a total budget of USD 26.315 million, financed with a concessional loan from IFAD of USD 8.416 million, Spanish Trust Fund of USD 11.988 million, and Participating Institutions contribution of USD 3.29 million and USD 2.613 Government of the Republic of Zambia (GRZ) contribution of USD 2.613 million. The overall development goal of the RUFEP, is to improve livelihoods of the rural poor through sustainable economic growth. The Project Development Objective (PDO) is to increase access to and use of sustainable financial services by poor rural men, women and youth. These objectives are to be achieved through three components: (i) Strategic Partnerships; (ii) Innovation and Outreach Facility (IOF) and (iii) Knowledge Management and Programme Implementation. The Programme is national in scope with the geographical areas to be reached, through different financial institutions and service providers.

2. The last and the second supervision Mission took place from 28 April to 10 May 2016, while this third supervision Mission was fielded from 17 October to 4 November 2016. The objectives of the mission were the following: a) undertake a detailed review of implementation of the RUFEP 2015/2016 Annual Work Plan and Budget (AWPB) and provide guidance to the Programme Co-ordination Office (PCO), to manage activities towards achieving objectives, sustainability and impact as part of their normal management responsibilities; (b) review the fiduciary aspects of the project and whether they comply with Financing Agreement covenants and government regulations; (c) review the appropriateness of project implementation modalities (staffing, PIM, audit, procurement, financial management etc.) and (d) propose solutions, corrective measures or improvements to be undertaken.

3. The Financing Agreement was signed and become effective on 22 July 2014 and Programme implementation started in September 2015. The 15 month delay as mentioned in the previous Aide Memoire is attributed to the protracted process of fulfilling the seven conditions precedent to IFAD funds withdrawals<sup>2</sup>. Discussions with PCO, government's officials and RUFEP's strategic and implementing partners, were held in order to review progress, share ideas and identify areas for improvement, and consequently increase effectiveness and efficiency. An initial working session, was held on 17 October with the PCO in Lusaka, followed by individual meetings with PCO's staff. Based on the joint review of the programme with the PCO, key issues were identified and recommendations were agreed upon.

## **B. Overall assessment of programme implementation**

4. Overall, RUFEP implementation has picked up. Most management systems and procedures such as Financial Management, IOF Evaluation, Human Resources and Administration, Procurement are in place. The Mission appreciates efforts and innovative ways made by RUFEP's management, in setting a solid and progressive pace for implementation, with a balanced focus in the three programme components i.e. Strategic Partnerships, Innovation and Outreach Facility and Programme Implementation. The RUFEP management has demonstrated high levels of commitment, teamwork and capacity to manage partner

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<sup>1</sup>Mission composition: The Mission was led by Ms Abba Benhammouche, IFAD Representative and Country Director, with the participation of Mr Mohamed Tounessi (Agricultural Economist/Deputy Mission Leader); Mr Dick Siame (Country Programme Officer, Monitoring and Evaluation Specialist); Mr Tetie Abdoulaye Bakayoko (Financial Management Specialist) / and Mr Waseem Khan (Procurement Specialist).

<sup>2</sup> These included: a) recruitment of the Programme Coordination Office (PCO); b) opening of the RUFEP Bank Accounts; c) appointment of the Programme Steering Committee; d) signing of a Memorandum of Understanding between MoF and Bank of Zambia (BoZ); e) draft Programme Implementation Manual (PIM); f) Standard separate financial software acceptable by the Fund; and, g) preparation of the first Annual Work Plan and Budget (AWPB).

relationships in order to achieve programme objectives. This is in line with best practice, where not only are strong systems the basic foundation for successful implementation, but, building and maintaining strong partnerships with Implementing Partners is critical. The Mission wishes to note that programmes of this nature take a few months or even a year or more to identify partners and develop functional working relationships as each partner undertakes some form of due diligence to ensure that there exists a common bond, and subsequently establish that there is a two-way value before agreeing to the partnership. Smooth communications and management of the relationship are the other principles to be established. The Mission notes that, in addition to setting up systems, RUFEP has been going through this relationship building. Based on this background, it is envisaged that the disbursement rate will increase progressively, and the pace of partner activities will pick up.

5. To date the PCO's management has completed the office setup including staffing. The last position of the International Technical Advisor was filled in the month of October. However, the Procurement Specialist resigned in September, but plans to replace him are at an advanced stage. Meanwhile, the Mission notes, in the context of the portfolio alignment, RUFEP's intention to engage the other IFAD Programme Procurement Specialists should the need arise in the interim before the new RUFEP Procurement Officer reports. The Rural Finance Unit (RFU) is partially set up and the MoF appointed staffers (the Chief Economist and Senior Economist) from the Investment and Debt Management Department (IDMD) are currently overseeing the RFU in addition to their regular job functions.

6. The programme carried out most of its planned activities, including: (i) Identifying and visiting potential IOF partners, to share the key information about the programme and eligibility criteria; (ii) placing a call for expression of interest in the media; (iii) receiving and shortlisting concept notes; (iv) receiving and vetting proposals; and (v) subsequently holding workshops to orient the applicants on the proposal formats and providing clarifications on the same; (iv) holding orientation workshops for two partners; Vision Fund Zambia (VFZ) & Keepers Zambia Foundation (KZF), whose proposals were approved by the Programme Vetting Committee in June. The MOUs between the Ministry of Finance and the Bank of Zambia, and between the Ministry of Finance and the Development Bank of Zambia have been signed. RUFEP has received a "no objection" from ICO and clearance from the Ministry of Justice for partnership with Financial Sector Deepening Zambia (FSDZ), Savings Led Microfinance Institutions of Zambia (SaveNet) and Plan International Zambia as hosting institution for SaveNet, and Agreement signing process is currently underway. Other approved partnerships include Rural Economic Expansion Services (REES), Kasama Christian Community Care (KCCC) and Churches Health Association of Zambia [CHAZ]. RUFEP is also exploring partnerships with ten (10) prospective partners comprising commercial banks and mobile network operators primarily for Window 2.

7. The PCO is still preparing to launch the Baseline Survey, and the setup of the Programme Monitoring and Evaluation System. The contracting process for the consultants will be finalized before the end of November 2016. Meanwhile, the PCO has introduced a simple excel reporting format for partners, and are working with each partner to ensure reporting requirements are aligned to the partner current systems. The Mission notes that this system of reporting will be slow and tedious, especially as more partners get on board, and encourages the PCO to expedite the computerized reporting. The preparation for conducting an Impact Assessment through a Randomized Control Trial (RCT) for the CBF Linkages sub window was completed, and a workshop was held with the RUFEP prospective partners and the University of Mannheim. The objective of the workshop was to clarify what the study would be focusing on, and the respective roles of the partners participating in the exercise. The study has commenced, and the PCO reported that already some preliminary results have been reported from Northern Province while work in Eastern and Western Provinces has commenced.

8. Overall, RUFEP current progress is satisfactory given the initial delays, identification and establishment of relationships with implementing partners (IPs), and development of a fast tracking strategy. It is envisaged that by end of December 2016 the disbursements will be on track, and even though partner activities will still be lagging behind, the pace of implementation is increasing. It had been assumed at the time of design that signing MOUs, especially by the pre-determined strategic partners like BoZ and DBZ, would take a shorter period, but this has not been the case as it has taken both parties several months to sign. On the part of BoZ, the Mission learnt that the delay in signing was occasioned by technicalities relating to perceived commitments, BoZ could or could not get into considering its mandate of regulation. The issue has since been clarified, and the MOU signed. On the part of DBZ delay in signing the MOU, it was not clear to the Mission where the delay actually occurred between MoF and the Ministry of Justice and whether there were any critical reasons for the hold up, but again the issue has been resolved. The Mission wishes to note the support of the Steering Committee in resolving the stalemate of the above MOUs.

9. RUFEP has responded positively to the comments of the last supervision mission, and has become more proactive, not only in prospecting and identifying potential partners, but in engaging MOF and collaborating with the Steering Committee to fast track approvals and processes, leading to signing of various MOUs in order to ensure implementation is back on track. The PCO has also developed different strategies to ensure the turnaround time between Expression of Interest and disbursement is shortened. Some of these strategies include but are not limited to; the development and use of the website for applicants to submit applications; review of templates to make them shorter and simpler; and adoption of “applicants” participatory process through orientation workshops. As of, 30th September 2016, the overall financial execution of the first fifteen months AWPB 2015/2016 stands at 27.90% (USD 832,487 out of a budget of USD 2.984 million). This performance is rated moderately satisfactory. However, the Mission noted progress compared to the first quarter. The disbursement rate for IFAD’s loan stands at 7.65%, representing the two initial deposit of USD 600 000. The first disbursement (USD 300 000) was made in December 2014, and the second disbursement (USD 300 000) was made in December 2015. The Spanish Fund disbursement rate stands at 14.14%, equivalent to USD 1,272, 911.90. There is a need to intensify programme implementation. Government of Zambia counterpart funding so far released amounts to USD 100 000 representing about 4% of the initial commitment as indicated in the appraisal document, and this represents the foregone taxes on procurement done so far. But this amount is expected to increase significantly when pending procurements are completed.

10. To keep the momentum, and further accelerate the programme implementation and ensure fulfilment of programme objective the following actions are recommended: (i) The PCO should remain consistent in its Call for Proposals and orientation of prospects to ensure optimum number of applications, and straight through approvals; (ii) To improve uptake of IOF Window 3. One way to achieve this is to explore changing the term “Equity” as this seems to have confused prospective partners and attracted the wrong target at inquiry. In the same regard, the PCO should explore partnerships with the National Universities, Technical Colleges and other recognized training institutions to develop short courses in Rural Finance/Product Development. Banker’s Association of Zambia may also be engaged in this process; (iii) The PCO should undertake post disbursement monitoring to ensure investments are aligned to expected outputs, and on the other hand expedite database system implementation to improve efficiency and ensure accuracy of partner reporting.

11. While MoF has promised to include in the next national budget, RFU set up costs, the PCO should work closely with the IDMD of MoF to undertake some preparatory works for the RFU establishment. Such works could include development of the structure, clarifying

mandates, and developing operational guidelines/framework. In this regard, there should be close collaboration with the new Financial Policy Unit within the Economic Management Department (EMD) to avoid redundancies. It is the understanding of the Mission that the establishment and set up of the RFU is in line with the Rural Finance Policy and Strategy (RFPS) as directed by the Cabinet. While the current MoF part time staffers may manage the set up process, with support from RUFEP, this part time arrangement will not address issues of sustainability, and therefore more permanent staffing arrangement should be considered sooner rather than later.

12. Under the FSDZ partnership, the PCO should explore joint support for Rural Finance Fairs, where works of partners will be show cased and/or sponsor a Rural Finance week where several initiatives are highlighted through a national conference or through appropriate media. Considering the fact that the PCO has already accumulated significant lessons on processes and tools, they should, based on these lessons, finalize the Programme Implementation Manual (PIM). The PCO should provide support to MoF to expedite the launch and dissemination of the RFPS in order to ensure the sector receives appropriate attention at policy level and adequate oversight at implementation levels.

### **C. Outputs and outcomes**

13. Programme performance in terms of achieving outputs and outcomes is rated moderately satisfactory (4). Concerning the outcomes of RUFEP, the implementation period, is still rather short to analyse outcomes that benefit the target group because the first few months were dedicated to building partnerships. Implementation of the Programme was analysed through the approved 2015-2016 AWPB, feedback from PCO's staff, stakeholders and documents submitted to the mission. The following paragraphs summarise the progress made by components/sub-components as of September 2016.

14. RUFEP works at three levels of the rural financial market i.e. at the Micro level, to stimulate demand and promote development of inclusive rural financial products and services in order to acknowledge the productive and economic potential of poor rural people; at the Meso level, the Programme plans to support development of efficient infrastructure for the financial sector by building both human and institutional capacity and the Macro level to stimulate the development of conducive policies and strategies. The three levels of the rural finance market are articulated in the following 2 technical components, where the RUFEP's PCO is a facilitator rather than a direct implementer.

15. **Component 1: Strategic Partnerships.** It will contribute to outcome 1, Enhanced capacity of FSPs to deliver demand-driven services in rural areas and has the following five specific outputs: (a) introduction and rolling out of a new framework for regulation and supervision of agency banking/mobile banking; (b) licenced and deposit taking MFIs have access to a line of credit from DBZ investments in the agriculture sector; (c) creation of new CBFIs and strengthening of existing ones; (d) strengthen new and existing institutional frameworks at Meso level to support FSPs to deliver services to the rural areas; and (e) provision of training to staff of FSPs, Apex and other relevant institutions on agricultural and rural finance. Under this component, strategic institutions demonstrating high leverage capacity and significance in terms of the Programme objectives can qualify for medium-term support at Macro, Meso and Micro levels. Support will be given to BoZ and MoF for policy development and creation of an enabling environment. DBZ will leverage on the activities initiated under RFP, and the capacities of Apex bodies of the various financial sector players (Banks, MFIs and CBFIs) will be strengthened.

#### **16. Planned activities for October 2015- December 2016**

**Bank of Zambia (BoZ).** Support to BoZ, to develop capacity to initiate and review rural finance policies that will provide an enabling framework to inclusive rural finance market.

Activities include:

- ✓ Developing and signing the Memorandum of Understanding;
- ✓ Finalizing and rolling out agency and mobile banking laws and regulations;
- ✓ Finalizing the collateral substitutes framework for rural lending;
- ✓ Supporting a forum for stakeholders to dialogue with a view to establishing long term solutions on the introduction of interest rate caps by GRZ.

**Association of Microfinance Institutions in Zambia (AMIZ).** The support will help to position AMIZ, as a main provider of capacity building to its members and others within the sector.

Activities include:

- ✓ Developing and signing the Partnership Agreement;
- ✓ Develop code of strategy and code of conduct for the AMIZ members and facilitate the process of putting in place a system to ensure compliance;
- ✓ Conduct a needs assessment (including office equipment and material), prepare a training plan and develop approaches for post training monitoring and evaluation;
- ✓ Initiate the implementation process of the findings and recommendations of the needs assessment.

**Rural Finance Unit (RFU).** Support is provided for the setting up of the RFU within MoF in order to consolidate and strengthen rural finance sector coordination, ensure investments are appropriately leveraged and the impact of such investments is established and documented.

Activities include:

- ✓ Physically setting up of the unit, including procurement of the requisite equipment;
- ✓ Dissemination of the Rural Finance Policy and Strategy to all government ministries; members of parliament and any other relevant institutions;
- ✓ Setting up the monitoring and evaluation system to track specific indicators of the Policy and Strategy;
- ✓ Support operational costs of the RFU.

**Development Bank of Zambia (DBZ).** A specialized development bank with two core product lines; wholesale lending and corporate banking. The Bank has introduced a new window for MSME lending that will be rolled out through commercial banks

Activities include:

- ✓ Developing and signing the Memorandum of Understanding;
- ✓ Provide technical support to enhance capacity of new staff in appraising MFIs that are participating in the line of credit. This capacity enhancement will be done through local training and workshops, sponsorship to attend international exposures, where relevant, and further refinement of processes and procedures for wholesale lending.

✓

**SaveNET.** Apex for CBFI promoters. Responsible for facilitating the scaling up of a standardized CBFI model and ensuring that the agents are well trained. This will be a gradual process and preliminary activities include the following:

- ✓ Developing and signing the Partnership Agreement;
- ✓ Purchase and installation of office equipment and materials;
- ✓ Support a market research on ways to improve and streamline CBFI systems;
- ✓ Support training and workshops for refinement, translation and standardization of CBFI training materials to be used by the staff of promoter organizations and Training of Trainers (ToT) for local agents;
- ✓ Identify interested CBFI linkage partners ((FSPs and Value Chain Developers (VCDs));
- ✓ Facilitate linkage of CBFI to the Ministry of Agriculture (MA) extension agents through the Department of Agribusiness and other formal financial institution;
- ✓ Support the development of Information Communication Technology (ICT) materials, such as a website for SaveNet, that will be instrumental in sharing lessons from Zambia and elsewhere;
- ✓ Undertake gap analysis and share results with CBFI, FSPs and VCDs.

17. During the period under consideration (October 2015-September 2016) preliminary support was planned to be provided to major strategic partners, which includes: Bank of Zambia



(BoZ), Rural Finance Unit (RFU), Association of Microfinance Institutions of Zambia (AMIZ), SaveNet, and Development Bank of Zambia (DBZ).

18. The MOU between the Ministry of Finance and the Bank of Zambia has been duly signed by the two parties, but preparatory work is going on, RUFEP is planning an orientation workshop for BoZ after which a series of technical activities are expected to start. The Mission notes that even before the MOU was signed, BoZ and RUFEP were already engaged on several policy and strategy issues, namely the Financial Inclusion and Rural Finance policies and status of AMIZ. BoZ has already advanced works in agency banking and mobile money and already have a draft law and regulations under review. Meanwhile, BoZ provides merit approvals to interested applicants who wish to undertake agency banking and mobile money on a need basis after undertaking a prerequisite due diligence of each applicant. BoZ informed the Mission that one challenge area in agency banking is inadequate capacity of agents. On other matters, BoZ is working to streamline definitions of the different FSPs especially micro finance and retail/consumer lenders. In addition, they got the Movable Property (Security Interest) Act 2016 to be assented to in April 2016. The Act provides for, among others, to enhance the availability of low-cost secured credit to allow debtors to use the full value inherent in their assets to support credit, establish a Collateral Office and Collateral Registry for a single comprehensive registration regime for secured transactions in movable property; establish streamlined procedures for obtaining security interests and reducing transaction costs by minimizing formalities.

19. Other matters of interest to RUFEP that BoZ is planning to address are; increasing capacity in rural finance monitoring and evaluation in order to ensure that apart from access and uses of finance services, issues of impact are also addressed. BoZ is satisfied with current working relationship with RUFEP, but they suggest that RUFEP could add more value through undertaking contextualized case studies by province in order to provide more information on what is existing and working in respective provinces in regard to rural finance. The Mission noted the need for a further elaborate discussion with BoZ and recommends that RUFEP uses the upcoming BoZ orientation workshop to carry on further discussion regarding other potential areas for collaboration. The Mission further recommends that RUFEP works with BoZ to do a stock take on AMIZ and decide whether it is worth trying to re-establish AMIZ or if there are other better options. Lastly, the Mission recommends that RUFEP should maintain the on-going round table discussions between MoF IDMD, EMD and BoZ to ensure similar interventions are not being done in parallel. The Mission notes that BoZ is involved in many other financial inclusion initiatives, and RUFEP should explore open windows for further and valuable collaborations.

20. The other MOU between the Ministry of Finance and Development Bank of Zambia has also been signed but no disbursements have been done. The Mission was informed that the PCO carried out a comprehensive orientation of DBZ, providing them with programme context to ensure a clear understanding of the goals, objectives and expected outcomes. Also, during this orientation RUFEP explained the grant process including the disbursement process, procurement guidelines, finance management, monitoring and evaluation and knowledge management, and project communication strategies. DBZ is expected to submit a request for disbursement within November 2016.

21. The Mission learnt that the PCO has developed a tool to track progress in disbursements, and a similar tool should be developed to track implementation of partner activities. While it is likely that the variance in disbursements will be minimized by December 2016, implementing partner specific activities may still lag behind, but the Mission encourages the PCO to leverage on current good working relationships with partners, and engage each partner on how the time lag in activities will be closed as soon as the disbursements are made.

22. The creation of RFU within the MoF to implement The Rural Finance Policy and Strategy has been approved by cabinet, and RUFEP is scheduled to support the establishment of the RFU. The main goal of RFU will be to develop and review appropriate rural financial policies, guidelines and frameworks that will catalyse sustainable and inclusive growth of the rural financial sector. The MoF appointed the Chief Economist and Senior Economist from the IDMD as Policy Advisor and Analyst respectively in February 2016. The Mission learnt that the establishment of the Unit has delayed because the MoF did not have a budget line for

the establishment during the current budget period, and also the hiring of the RUFEP's International Technical Advisor who was expected to be key support to the set up was delayed. The appointment of the two staffers to the RFU is partial as they are also in charge of their traditional functions within IDMD. The mission discussed the shortcomings of this arrangement with MoF, who taking cognizance of sustainability issues have committed to set aside a budget line in the next national budget to ensure hiring of full time staff and full establishment of RFU. Meanwhile RUFEP will begin initial support to the Unit by developing the appropriate systems and operations guidelines.

23. The previous Mission noted that the establishment of the new Financial Policy Unit under the EMD could raise questions as to whether RUFEP should support the establishment of the Rural Finance Unit under IDMD, which is staffed with only part-time personnel or under the newly formed EMD. In discussions with the MoF they stated that the setting up of the RFU should progress as planned under IDMD for the time being while they work internally to streamline roles and responsibilities. The Mission notes that ideally and technically the RFU falls under the financial sector which is now under the mandate of EMD, but concurs with MoF that setting up of the RFU should progress as initially planned. Regarding how the RFU will relate to or with the EMD for the time being, both IDMD and EMD responded that this is an operational and an on-going discussion within MoF and the final position will be clarified at a future date. EMD is supportive of the RFU set up and they already collaborate strongly with RUFEP. However, EMD believes that working relationships with IDMD need to be streamlined to minimize the "silo" approach. On the issue of budget line for RFU, EMD informed the Mission that this will be discussed with IDMD and they will agree internally on which side this budget should appear.

24. The MoF with the support of the World Bank is in the process of developing a National Financial Inclusion Strategy (NFIS) for Zambia. The Mission learnt from the EMD that the objective is to bring all financial players under one "roof" and promote coherence within the sector. With such coherence, EMD envisages that issues of access, depth of outreach, rural and agricultural finance will be expanded, and more players including the private sector, commerce and cooperatives will get involved. This NFIS task is being coordinated by the EMD within the MoF. In order to carry out this task, the EMD is in the process of setting up a Financial Policies Unit with full time staff. The draft conceptual framework of the strategy is complete. The strategy focus is anchored on four (4) drivers; (i) financial access and usage; (ii) responsible financing; (iii) design and availability of diversified products; (iv) finance for growth. Rural and Agricultural Finance fall under the fourth driver. The NFIS will be governed by a steering committee. The implementation committee will undertake its work with seven (7) working groups; Digital Payments and Payments Infrastructure; Insurance; pensions; finance consumer protection and finance capability; capital markets; Financial Infrastructure and MSMEs; Rural and Agricultural Finance. RUFEP has been made the lead contact for the seventh working group of Rural and Agricultural Finance and has also been mandated to work with BoZ to develop a Financial Sector Policy Framework.

25. RUFEP as a lead contact for Rural and Agricultural Finance working group has gained an important entry to enable it work closely with the National Financial Inclusion Strategy Drafting Committee and broker dialogue on national issues of rural and agricultural finance. This is in line with a similar forum already planned within RUFEP under sub-component 3.1 Knowledge Management.

26. RUFEP takes cognizance of the critical role to be played by AMIZ and SaveNet in building capacity for some of the implementing partners, so that they can provide services (financial and non-financial) that meet the demands of rural communities and small holder farmers. As noted by the previous Mission, the partnerships with AMIZ and SaveNet are therefore pivotal in preparing a comprehensive and coherent capacity development plan, based on thorough analysis of needs and gaps assessment conducted by the partners. The Mission notes that while the partnership with SaveNet has progressed albeit very slowly, it is moving in the right direction. Currently, SaveNet is working to meet pre-disbursement conditions and some of the planned activities will be launched before end of December 2016. The Mission notes that AMIZ is still in a dysfunctional state as reported by the last Mission and it is not clear when normal operations will resume. However, the Mission learnt that BoZ is considering intervening in order to revitalize AMIZ by requiring all deposit taking microfinance service providers to register as

members. If or when this happens then there is a very good chance that there will be a turnaround in AMIZ and its role may become of more critical importance as BoZ entertains the possibility of delegating some supervisory work regarding microfinance providers to AMIZ. In discussions with the Mission BoZ and RUFEP agreed to engage the AMIZ stakeholders to make a final decision on whether to resuscitate AMIZ.

27. The Mission notes that in the interim and in the absence of a partnership with AMIZ, RUFEP has started to implement the previous Mission recommendation to explore collaborations with local and regional International Training Centre (ITC) International Labour Organization (ILO) certified trainers to deliver training using the Making Microfinance Work (MMW) Programme. The Mission recommends that RUFEP may also explore other local institutions like the University of Zambia and/or other technical training institutions or even looking to regional institutions like MicroSave who can provide individual consultants.

28. **Component 2: Innovation and Outreach Facility.** RUFEP is expected to ensure that participating Financial Service Providers, (FSPs) design and deliver demand-driven rural and agricultural financial products and services. The component provides for matching grants in varying degrees depending on the capacity and the needs of the participating institutions under three windows: Window 1 focuses on the CBFI; Window 2 focuses on the Agency/Mobile Banking; and Window 3 focuses on the Rural Finance Equity and Innovation.

29. **Window #1. CBFI.** This window aims at building on the achievements under the previous Rural Finance Programme (RFP), which successfully demonstrated that there is a need for CBFI in remote rural areas.

Activities include:

- ✓ Identification of CBFI Promoters;
- ✓ Develop and sign performance-based Partnership Agreements with the identified Promoters;
- ✓ Identify needs of CBFI.

30. **Window #2. Mobile Banking.** This is another intervention that seeks to scale up what was initiated during the RFP. The demand for convenient money transfers and payments and savings in rural Zambia has been demonstrated by the pilot conducted by Celpay. In addition to the experience from Celpay, this window will, therefore, also build on experiences from other African countries (e.g. Kenya, Uganda.) where mobile banking has revolutionized financial service delivery. In Zambia, efforts to license and regulate agency banking are already underway with BoZ having initiated the drafting of the regulations. The focus of this window is to enable institutions to undertake innovative pilots that can use a wide range of entities (supermarkets, petrol stations, shops, CBFI, etc.). Coupled with the widespread use of mobile phones, the range of options for low cost expansion for rural outreach, and avoidance of security risks will be widened. This window is, therefore, targeted at licensed payment operators including banks and non-bank FI, deposit-taking FI, CBFI, mobile money operators, mobile network operators, industry regulators, agent network organizations and others.

Activities include:

Mobile:

- ✓ Forum for stakeholders and BoZ to develop a framework for mobile banking;
- ✓ Study visit by BoZ (Payments and NBFI) and Zambia Information Communication Technology Agency (ZICTA)

Agency:

- ✓ Forum to discuss amendments to the BFSA to incorporate agents outside the financial sector.

31. **Window #3. Rural Finance Equity and Innovation.** This window is meant to be more flexible and opportunistic. It aims at responding to demand side opportunities that arise from other windows to leverage greater access or increase a range of services offered. Support to pilot savings products could help change the practice by some institutions who have sought deposit taking licenses but have neglected savings mobilisation and help lower the cost of accessing loanable funds. Activities include:

- ✓ Forum to approve the operations manual by stakeholders;
- ✓ Liaise with Financial Education Coordination Unit (FECU) and develop financial literacy training module for CBFIs.

32. During the period under review (October 2015-September 2016, being the inaugural implementation period of the Programme), preliminary support was planned to be provided to implementing partners under the 3 windows. Following the first call for Expression of Interest (EOI) advertised in January 2016, a total of 16 concept notes were received, and nine (9) were shortlisted including Churches Health Association of Zambia (CHAZ), Rural Economic Expansion Services Ltd (REES), Keepers Zambia Foundation (KZF), Pan African Building Society, Kasama Christian Community Care (KCCC), Catholic Relief Services (CRS), Vision Fund Zambia (VFZ), Zambia National Building Society (ZNBS), AB Bank Zambia and Zambia National Building Society (ZNBS) and they were requested to provide detailed proposals. But only five (5) submitted proposals, and these are; CHAZ, REES, KZF, KCCC, Zambia National Building Society. All except ZNBS have been appraised and approved, but only one disbursement to KZF has been done. VFZ is expected to submit the disbursement request shortly. The PVC has approved proposals from CHAZ and REES and the organisations have accepted the offers. The PCO is working with ZNBS to clarify remaining requirements, but the PCO informed the Mission that all the four (4) disbursements will be done by November 2016.

33. The second call for EOIs was made in August and twenty three (23) concept notes were received. The concepts notes were reviewed by the Internal Review Committee in October, thirteen were shortlisted and notified to submit proposals. Ten (10) proposals were received and will be processed during November 2016,

34. As mentioned in the last Mission Report RUFEP has successfully engaged External Evaluators (3 for CBFi Linkages window, 2 for Agency and mobile banking window and 4 for the Rural Finance Equity and Innovation window) and they have been approved by the Internal Review Committee (IRC). The Mission notes that the reviewers are working well so far. However, RUFEP had a challenge with one of the reviewers initially due to system compatibility, but this challenge has since been resolved. The PCO has put a system in place to motivate the External Reviewers to respond within the stipulated five (5) days; a fee is deducted from their fees if they don't respond on time.

35. Below are two tables representing the steps achieved and overall process management for Innovation and Outreach Matching Grant component. The average processing period for applications from the Concept Note to actual approval and disbursement stage was around 10 months for the first call, and not 4-6 months as planned. But the Mission has noted changes made to reduce the turnaround time. For example, once the RUFEP website is up and running fully, applicants will submit their Concept Notes continuously on an on-going basis, and the IRC will be reviewing the concept Notes on a regular basis e.g. monthly, bi-monthly, etc. depending on the volume of applications. This will definitely lead to a reduction in the processing period.

**Table 1: First Call of EOIs**

S/N	STAGE	STATUS
1	First call for concept notes	January 2016, the advert closed on February 2016
2	Date of assessment	March 2016, list of responsive applicants formed
3	Assessment conducted by	RUFEP Internal Review Committee (IRC)
4	Request for Matching Grant Proposals	February 2016, closed on April 2016
5	Assessment of proposals	KFZ, VFZ, REES and KCCC in June CHAZ in July 2016 and ZNBS in August
6	Transmission of applications to Reviewers	KZF, VZF, REES and KCCC in June CHAZ in July KCCC in August
7	Receipt of Technical reviews	KZF, VZF REES, KCCC in June CHAZ in July and August from three reviewers, respectively. KCCC [resubmission]- August from three reviewers respectively
8	Presentation of recommended proposals to Programme Vetting Committee (PVC)	KZF, VZF and REES in June KCCC and CHAZ in October
9	Notification of award	KZF, VZF and REES in June CHAZ and KCCC in October
10	Preparation of grant agreement	KZF and VFZ in August REES in September CHAZ and KCCC in October
11	No objection on Grant Agreement Received from IFAD	KZF and VZF sought in August, received in September REES sought in October, and received in October CHAZ and KCCC sought in October, not yet received
12	Signing of grant agreement	KZF on September 2016 VFZ on September 2016 REES on October 2016 <sup>3</sup> CHAZ not yet, still in process KCCC not yet still in process
13	Disbursement of first tranche to grant recipient(s)	KZF on October 2016. VZF, REES, CHAZ and KCCC not yet still in process

**Table 2: Second Call for EOIs**

S/N	STAGE	STATUS
1	Second call for concept notes	3 <sup>rd</sup> to 8 <sup>th</sup> August, closed on 31 <sup>st</sup> August 2016
2	Date of assessment	14 <sup>th</sup> September 2016
3	Assessment conducted by	Internal Review Committee
4	Request for Matching Grant Proposals	17 <sup>th</sup> October 2016
5	Assessment of proposals	Not yet
6	Transmission of applications to Reviewers	Not yet
7	Receipt of Technical reviews	Not yet
8	Presentation of recommended proposals to Programme Vetting Committee (PVC)	Not yet
9	Notification of award	Not yet

10	Preparation of grant agreement	Not yet
11	Signing of grant agreement	Not yet
12	Disbursement of first tranche to grant recipient(s) <sup>4</sup>	Not yet

36. The Mission recognizes the efforts made by the PCO to shorten and simplify grant application processes. Some of the RUFEP partners informed the Mission that the orientation of partners undertaken by RUFEP after the shortlisting has reduced the turnaround of the proposals' approval process, because partners are more informed regarding requirements and are equipped to complete all the applications forms accurately within a shorter period. The PCO informed the Mission that the newly introduced website will also facilitate fast tracking of applications as more applications are expected to be done online. The Mission encourages the PCO to continue looking for ways to fast track processes in order to ensure that partner activities do not suffer unnecessary delays because of delayed processes and delayed disbursements.

37. The Mission notes that both the Programme Steering Committee (PSC) and the Programme Vetting Committee (PVC) are fully integrated, and both committees recognize the role RUFEP plays in promoting greater financial inclusion. The Mission took note of good attendance in both committees and the varied high level knowledge/skill base. The Steering Committee has been especially influential in supporting the PCO to fast track or find ways to fast track implementation. The SC has met three times since the programme started. The PVC has met twice and approved all the five (5) proposals submitted to them. The Mission wishes to note that the work of the PVC has been simplified by the internal and external reviewer's comments and ratings. However, the PVC has recommended that a comprehensive SWOT analysis be included in the projects' review as opposed to just listing strengths in order to make the assessments more comprehensive. The Mission notes that there exists ease of communication between the PCO and both the SC and the PVC, and there exists joint ownership in search for more efficiencies.

## D. Programme Implementation Progress

38. **Knowledge Management and Programme Implementation.** This is a cross cutting component servicing the two technical components. It has no specific outcomes but contributes to the achievement of objectives through knowledge management and implementation support. It comprises two sub-components: Knowledge Management and Technical support (KM&T) and Programme Implementation (PI). The former includes a range of activities to increase public and sector knowledge and understanding of technical matters related to rural and agricultural finance while the latter comprises support services and activities conducted by the PCO to enhance access to financial services for poor rural smallholders. Given the design of the Programme interventions, most of the implementation remains with partners, service providers and IOF grant recipients. While the partnerships have been formed, the implementing partners are just in the process of rolling out some of the planned activities. For this reason, the implementation progress has been rated moderately satisfactory (4)

39. Knowledge management and communication is embedded into Programme implementation. RUFEP will use a number strategies and fora, including reporting, review meetings between implementing partners and strategic partners at all levels, and also conferences. Knowledge sharing forums will be embedded within all its components as required to share good practices. RUFEP is in the process of not only establishing systems to be used in capturing and disseminating the knowledge, but also integrating the appropriate knowledge systems with implementing and strategic partners to the extent possible. The newly developed website will be a critical platform for storing, disseminating information and lessons. The reporting formats of RUFEP's implementing partners, will include specified sections on lessons learnt and innovations and close supervision of the implementing partners by the PCO will enrich practices and knowledge. Beyond RUFEP components, the participation of actors in

value chain development and implementation from SAPP, S3P and E-SLIP will be engaged and involved especially through the sharing of the web platform.

40. **Sub-Component 3.1: Knowledge Management.** The knowledge is required to better understand the constraints and to identify opportunities for addressing them. Activities under this sub-component will contribute to the generation and dissemination of knowledge about emerging solutions, innovations and new approaches for uptake by sector stakeholders.

Activities include:

- ✓ Conduct a focused study and use the findings to develop the communication and knowledge management strategy for RUFEP;
- ✓ Convene a Rural Finance Innovation Forum to discuss different options accessible to Zambia to advance the financial inclusion front. Elements of this dialogue could comprise: (i) a review of the contributions of the different types of financial institutions to economic development and financial inclusion; (ii) a review and feasibility study of the different options and systems practiced outside Zambia that might advance equitable rural development in Zambia; (iii) a review of the prevailing laws and regulations and their impact on equitable development, financial inclusion and other relevant parameters; and (iv) an economic and financial analysis of the impact of investments into the different options;
- ✓ Design and maintenance of a website to serve as a platform for knowledge dissemination and sharing of information on relevant programming issues among key stakeholders;
- ✓ Documentation and publication of KM Products.

41. **Sub-component 3.2. Programme Implementation.** This sub-component is in charge for the overall Programme planning, monitoring and evaluating implementation progress, reporting, financial management, including disbursement of funds to the different implementing agencies, and the provision of the procurement function.

Activities include:

- ✓ Identify key capacity areas for Technical Service Providers and advertise for expressions of interest in the local, regional and international media. Engage at least 3 to support various technical areas;
- ✓ Operating Manual – Develop/review operating manual for Component 1. This will provide instruction and guidance on formulating partnership agreements (e.g. scope, duration, setting of targets and objectives), the approval and quality assurance process, and the tools and approaches for managing partner arrangements, a system for receiving applications for support, review and recommend selected institutions for potential partnerships based on set criteria;
- ✓ ☐ Review and approve proposals from potential partners. It is projected that about five additional institutions (in addition to those that have been pre-identified) will be selected and recommended for partnerships. In that case, detailed activity plans and the associated budgets would be prepared by the selected partner institutions and presented to the PCO for review and approval;
- ✓ Capacity building activities for MoF's PSU and Treasury Council's Office;
- ✓ Capacity building activities for the RFU;
- ✓ Conduct a Baseline Survey;
- ✓ Review the RFP Planning, Monitoring and Evaluation (PME) System. Based on the outcome, develop an appropriate PME System for RUFEP and RFU;
- ✓ Recruit support staff (Assistant Accountant, Administrative Assistant, Office Assistant and two drivers);
- ✓ Recruit Two Technical Rural Finance Advisors (one International and one national);
- ✓ Recruit a Knowledge Management and Communications Officer and Procurement Officer;
- ✓ MoF to appoint the RUFEP Committees (Programme Vetting Committee, Internal Committee and the External Review Committee);
- ✓ MoF to appoint the Programme Steering Committee;
- ✓ MoF to appoint the Technical Advisory Group;
- ✓ MoF to appoint two staff to the Rural Finance Unit;
- ✓ Procure motor vehicles, furniture and equipment and Accounting software;
- ✓ Finalise the Programme Implementation Manual;
- ✓ Prepare the Procurement Manual;

- ✓ Prepare the Financial Management Manual;
- ✓ Prepare the Human Resources and Administration Manual.

42. The PCO's management has completed the setup of operational PCO, with adequate office accommodation, and has paid for the procurement of vehicles. The Mission commends MoF for the strong support in regard to the continued use of the former RFP vehicles, computers and other equipment as this has contributed significantly to the smooth start of the PCO operations. The International Technical Advisor reported in October. The first Programme Steering Committee meeting was held in December 2015 at which various issues were discussed including consideration and approval of the 2015-2016 Annual Work Plan and Budget. The second and third steering committee meetings were held in May and August respectively, and during these sittings, the members approved the PVC membership, reviewed the recommendations of the IFAD Implementation and Support Mission and requested the PCO to prepare the Fast Tracking Implementation Plan in order to facilitate timely response and support. During the third sitting in August, the SC reviewed the second quarter progress report, and also the Fast Tracking Implementation Plan.

43. The programme carried out some of the planned activities, including: (i) Call for proposals; (ii) Signing of 2 MOUs between the Ministry of Finance and the Bank of Zambia, and between the Ministry of Finance and the Development Bank of Zambia; (iii) Evaluation of IOF proposals (iv) Holding SC meetings. Some of the planned activities not undertaken include; (i) organize forum to develop mobile framework; (ii) Study tour by BoZ and ZICTA (iii) Forum to review BFSa; (iv) Conduct 2017 AWPB with partners; (v) Finalizing operational Manual. Potential implementing partners continue to submit proposals for implementation of the Innovation and Outreach Facility. The call for EOIs is now a continuous process as opposed to the previous quarterly calls, and this change will ensure both disbursements and partners' planned activities remain on track. The PCO's plans to launch the base line survey and the completed setup of the M&E system are at advanced stage. The selection of implementing partners is a continuous process; a selection and vetting of four (4) partners was already finalized at the time of the Mission.

44. In order to accelerate programme implementation and minimize delays the PCO developed the Fast-tracking Implementation Action Plan (FIAP) as advised by the SC. The FIAP derives from the 2015-2016 Annual Work Plan and Budget and focuses on the prioritisation and implementation of selected key activities, bringing forward selected activities to minimize any delays through close monitoring of activities and related procurements. Prioritized activities, inter alia, include seeking support to realise the Memoranda of Understanding, increasing the pace of calls for proposals under the Innovation and Outreach Facility [IOF], launching of the website so that calls for proposals are ongoing, make regular business awareness creation calls to strategic and potential IOF partners, finalise preparation of communication materials to support programme awareness and, streamline production of financial reports through procurement of SAGE Business Intelligence system and payments by engaging with Standard Chartered Bank to install Straight 2 Banking system.

45. In spite of achievements to date, RUFEP needs to remain pro-active not only in tracking its own activities, but those of the partners. The Mission notes that RUFEP partner activities are dependent on disbursements are therefore behind schedule. In order to fast-track overall programme implementation in the midst of the delays already experienced, the Mission its discussions with the PCO identified some priorities that could lead to enhanced programme performance until the end 2016 and beyond.

- a) The PCO should give priority and more attention to immediate disbursements and immediate launch of partner activities subsequently.
- b) The PCO should put more efforts on IOF window 3 to ensure it is well understood by the market and thus generate more interest.
- c) The PCO should in collaboration with IDMD develop some preliminary procedures and systems for RFU, and support the MoF expedite the launch and dissemination of the Rural Finance Policy upon which the RFU set up is premeditated. Also, the PCO should, in liaison with ICO support continuous dialogue between IDMD and EMD to ensure Rural Finance coherence and focus.



46. The mission took stock of progress made by the PCO and makes the following notes and recommendations to enhance efficiency, effectiveness and management performance:

47. **PIM:** The Mission notes that, the PCO has already accumulated significant lessons on processes and tools, therefore they should, based on these lessons, expedite the finalization of the PIM, which should include detailed guidelines to drive the implementation of each component.

48. **Base line survey, Planning, Monitoring & Evaluation.** The contracting process for the consultant is being finalized. The “No Objection” has been received from ICO, and the PCO plans to launch the study before end of November. Given that RUFEP has partnered with The University of Mannheim to conduct the Randomized Control Trial studies for CBFIs, the PCO should ensure the results of this study are integrated into the M&E system and lessons used to improve implementation.

49. **PM&E System:** The Mission notes that the process for setting up the PM&E System is still work in progress. The set-up has been delayed because of contracting delays caused by single sourcing. The single sourcing however, was necessitated by the fact the identified consultant, Arcadia Associates Limited (the firm that designed the Rural Finance Programme M&E System), had a significant memory from RFP that would shorten the learning curve in the present set up. RUFEP plans to retain relevant features from RFP PM&E System, and customise them to suit its current requirements. The consultant is expected to support RUFEP to establish a data base which will be useful in generating various partner reports. The system is also expected to allow RUFEP to track outputs, establish outcomes and impact, measure programme performance and manage knowledge and learning arising from the interventions supported by the Programme. Meanwhile, a simple and manual excel reporting system has been adopted pending the introduction of the more elaborate computerized system. The consultant will work closely with programme management, and the implementing partners and primary stakeholders.

50. The Mission noted the challenges of the current manual system and its potential inefficiencies especially as the number of partners increase. The PCO is therefore encouraged to give high priority to M&E set up, and its alignment to partner systems. As much as possible, RUFEP is further encouraged to involve its key stakeholders in order to strengthen ownership towards the achievement of the Programme goal and objective.

51. As mentioned in the last Mission report, RUFEP has developed a Monitoring and Evaluation (M&E) Plan which help them communicate various roles and responsibilities of each partner. The Plan provides a roadmap on how M&E will be conducted over the programme period, and it includes specific activities and indicative timelines. The Monitoring and Evaluation Plan was developed in line with the GRZ’s Rural Finance Policy and Strategy (RFPS) as well as IFAD’s Country Strategic Opportunities Programme (COSOP). The Plan also draws lessons from the monitoring and evaluation techniques undertaken during implementation of RFP.

52. **RIMS indicators** – The Programme has adopted performance monitoring that concentrates on financial and physical outputs and the outcomes of its activities. It will monitor indicators monitored annually for outcomes and quarterly for outputs and will include IFAD RIMS 1st and 2nd level indicators. So far it has already reported on RIMS indicators Level 1. For indicators regarding household asset ownership, RUFEP is planning to undertake two baseline surveys; one focusing on CBFIs and this is already underway in collaboration with The University of Mannheim. The second baseline will focus on Mobile Banking and Rural Finance and Innovation windows, and consultant contracting process is underway. Impact of the Programme at mid-term and completion levels will be based on the results of these two surveys. For indicators regarding child malnutrition RUFEP will rely on the Child malnutrition population based surveys from the Central Statistical Office. The project document (Logical Framework Component 1, Output 2) states that *“DBZ will have disbursed to FSPs a minimum of amount equivalent to US \$ 6 million by the end of RUFEP”*. But during discussions with DBZ, the Mission learnt GRZ did not capitalize DBZ with the credit line from RFP as envisaged but rather gave them credit. Even though DBZ is committed to continuing to offer rural and agriculture

credit, it will be difficult for RUFEP to influence how the credit from GRZ is used, therefore there is no way to link the above indicator to RUFEP.

53. As discussed with the PCO, the Mission recommends that the above mentioned indicator be deleted, and the Mission concurs that the indicator on increase on agriculture portfolio by FSPs accessing the line of credit from DBZ suffices. Also, it had been assumed in the project design (Component 2, Output 1) that Finscope Report (2015) will serve as a baseline for measuring the reduction in the level of unbanked micro small and medium enterprises (MSMEs), and also increase in volume of transactions generated in rural areas by RUFEP partner FSPs. The Mission learnt that Finscope in fact did not and does not usually report on these indicators. The Mission therefore recommends these two indicators be replaced with indicators whose baseline will be informed by the RUFEP's planned baseline surveys. The PCO informed the Mission that from the planned surveys, data on individuals with income generating activities (IGAs) will be collected. The Mission recommends to replace reduction in unbanked MSMEs with unbanked adults in rural areas (disaggregated by age and gender), and the volume of transactions be replaced with increase in IGA capitalization.

54. **TORs and BTOs.** The PCO reported to the Mission that they have instituted a validation of project staff TORs before missions in the field or outside the country and also established a mandatory Back To office Report (BTO), which highlights the proceeding of the mission and main outcomes. The Mission notes that it is important for PCO to always base every mission and/or training on a need or an operational gap in order to minimize low value adding missions and training. This process has been documented as part of the human resource procedures and will form part of the PIM.

55. **PCO Training.** The Mission agrees with the recommendation from the last Mission that key professional staff should continue strengthen and/or maintaining team work culture, through training that will cover aspects of specific technical areas, team building, leadership skills, matrix organization and communication. The Mission also concurs with the PCO that training should be based on specific need analysis in order to optimize results. During the review period the Programme Coordinator attended a rural and agricultural finance training, while the Financial Controller attended an international accounting training. Also, the M&E Specialist attended a SPSS training. The PCO has planned for a team building exercise in November 2016.

56. **Annual review and planning workshop.** The previous Mission recommended to the PCO to organize an annual review and planning workshop around August 2016, in order to provide an opportunity for PCO, key stakeholders and IFAD's projects, to review RUFEP performance, to draw lessons and to recommend improvements for the way forward for the next year programme implementation. But during this Mission, the PCO explained that it was not valuable to hold this workshop at this time as partners are just getting on board, most partners are at the MOU stage. Instead, the PCO held an internal review and planning workshop in October. The outcome of this workshop will form a basis for 2017 AWPB. The Mission concurs with this variation and the reasons for the change in approach. The Mission notes because the partners have not received any funds yet it would be challenging to have a review, share knowledge and build synergies as envisaged by the previous Mission.

57. **Ownership of the programme** is critical for the success and sustainability of RUFEP. The mission notes high level of ownership by the PCO staff, of challenges, programme objectives, implementation approach, targeting strategy, complementarity, synergy and alignment with IFAD portfolio. Other critical areas that provide evidence to this fact are; RUFEP contribution to the COSOP objectives, complementarity with other donors in rural finance and the challenge of strategic partnerships that will increase, outreach, sustainability and impact of RUFEP. The PCO staff do not only demonstrate a high level of professionalism, but pride and a sense of belonging in the programme. The Mission urges the team to maintain this commitment and professionalism.

58. **Training Needs Assessment of IPs.** The previous Mission recommended that the PCO plan and implement a training needs assessment in order to identify training priority areas of partners, the planning, costs, budget, number of trainees, expected outputs and outcomes and feedback mechanism through annual training evaluation. But this Mission notes

that the PCO due to capacity issues may not be able to directly undertake such an exercise, but they can do so through the Technical Service Providers (TSPs) that are currently being identified as an alternative to using AMIZ. However, the PCO will provide oversight to the TSPs and control quality of work through development of comprehensive terms of reference and counterchecking performance of the same, and development of training evaluation tools and post training monitoring. Towards this end, the Mission encourages the PCO to expedite the identification and contracting of TSPs to avoid further delays.

59. **Gender and Youth Focus:** The mission was pleased to note that assessment on gender responsiveness of financial institutions based on the checklist provided in the PDR is on-going. The checklist has been adapted accordingly. Baseline survey for indicators regarding household asset ownership focusing on CBFIs is on-going with gender and age being taken into consideration. It was agreed that this data as well as data from subsequent surveys will include gender and youth analysis. This will help the programme to track its contribution to gender equality empowerment of women and youth at mid-term and at programme closure. Based on findings from the baseline surveys, the programme will develop a detailed action plan that will guide focus on gender and youth during implementation. This will be aligned with the gender and youth strategy being developed for the IFAD – Zambia portfolio. Activities from the action plan will be reflected in the AWPBs accordingly. It was further agreed that capacity building activities planned under PCO Training will encompass sensitization and training on gender and youth for enhanced inclusivity in rural finance.

60. **Collaboration with other IFAD-supported Projects.** RUFEP through synergy forums will continue to explore areas of complementarity and partnerships with the other IFAD programmes. During discussions with some of RUFEP's partners, specifically the World Bank, MoF EMD and SaveNet the Mission noted opportunities for joint participation with other IFAD supported programmes, and the possibility was discussed with these partners and they were all receptive to the idea. Also, RUFEP as the lead contact for Rural and Agricultural Finance in the current development of the National Financial Inclusion Strategy has a comparative advantage to spot new windows for collaboration not only for itself, but for the other programmes. The Mission has recommended to RUFEP to always present other IFAD programmes in relevant forums and/or arrange for the respective PCOs too be invited to make their own presentations. The Mission recommends that to help push this agenda forward ICO should continue updating its "IFAD at a glance in Zambia" pamphlet that summarizes all its programmes in Zambia and each programme should distribute the same in their respective forums.

61. **Complementarity with major technical and financial partners.** The Mission notes RUFEP's efforts in establishing and maintaining dialogue with various development partners, and proactively exploring opportunities for linkages. The Mission received positive feedback in regard to good working relationships with RUFEP from the World Bank office. Also, the Ministry of Justice (MoJ) has cleared the MOU between MoF and FSDZ on collaboration with RUFEP. The MOU will be signed before the end of November. These are steps in the right direction, and the Mission encourages RUFEP to leverage on these relationships while exploring new ones.

62. **Country Portfolio Alignment** – The Mission recommends that RUFEP in liaison with other IFAD supported Programmes use the SaveNet fora to develop graduation strategies for smallholder farmers and rural enterprises. RUFEP should also undertake joint works with other IFAD supported programmes in developing financial access linkages and financial literacy forum, and should explore joint media works and publications to highlight work done. The sharing of the baseline study results will also be a good opportunity for the programmes to share a platform.

63. RUFEP has gained experience and knowledge in developing a website that can provide links to the other IFAD supported Programmes. The Mission notes that each programme is expected to be responsible for developing its content for the website in collaboration with RUFEP's Knowledge Management Specialist. Also, RUFEP's finance department is championing the customization of the financial management software in order to produce financial reports that meet stakeholder requirements and once it is up and running smoothly it will be rolled out to the other programmes.

64. RUFEP should continue participating in synergy meetings and share lessons and opportunities, and jointly develop action agenda and monitor progress. While synergy based on themes is what has already been started, it important to undertake “global” synergy that brings all the programme senior managers and ICO on an annual basis, and the hosting can be on a rotation basis. The Mission appreciates the heterogeneity of the programmes and recommend continuous dialogue rather than a rush through process.

65. As recommended by the previous Mission, this Mission encourages RUFEP to involve IFAD supported programmes in its 2017 AWPB preparations and identify activities for synergies with other IFAD supported programmes in 2017 AWPB. RUFEP could also be part of the preparations of AWPBs 2017 for SAPP, S3P and E-SLIP.

**Table3: SUMMARY OF AGREED ACTION POINTS**

Agreed action	Responsibility	Agreed date
<b><u>Strategic Partnerships</u></b>		
Expedite orientation workshop with BoZ and use that forum for further elaborate discussions on immediate and future areas of collaborations as these could not all be covered by the Mission	PCO	December 2016
RUFEP works with BoZ to do a stock take on AMIZ and decide whether it is worth trying to re-establish AMIZ or come up with alternate options	PCO	March 2017
RUFEP should maintain the on- going round table discussions between Investment and Debt Management Department (IDMD), Economic Management Department (EMD) of MoF and BOZ to ensure similar interventions are not being done in parallel	PCO	March 2017
Set budget line for RFU establishment in the 2017 national budget in line with the approved Rural Finance Policy and need for long term staffing and sustainability	MoF/IDM/EDM	November 2016
Provide support to MoF to expedite the launch and dissemination of the Rural Finance Policy & the launch of RUFEP	PCO	February 2017
Work closely with the Investment and Debt Management Department of MoF to undertake some preparatory works for the RFU establishment	PCO	December 2016

<b><u>IOF</u></b> Now that the GAs are cleared expedite disbursements in order to get partner activities to start	PCO	December 2016
To improve uptake of IOF Window 3, explore possibility of changing the term “Equity” and also explore partnership with universities and other recognized training institutions to develop short courses in Rural Finance/Product Development	PCO	March 2017
Develop a tool similar to the developed fast tracking tool to monitor and support fast track of partners’ planned activities as listed in the AWPB	PCO	March 2017
<b><u>M&amp;E</u></b> Change indicator in log frame component 1 output2 and component 2 output 1 as discussed with the Mission and noted in the Aide Memoire	PCO	November 2016
Undertake post disbursement monitoring to ensure investments are aligned to expected outputs. Also undertake joint review and planning activities in order to strengthen partnerships	PCO	March 2017
The Programme Implementation Manual (PIM) finalization and validation process needs to be expedited, as it is the major tool and guideline for meeting fiduciary requirements and framework implementation guidance for different implementing partners and service providers	PCO	January 2017
Complete the AWPB	PCO	November 2016
<b><u>Procurement</u></b> RUFEP should finalise the contracting of a consulting firm to design the PME system in line with the TORs and follow the M&E plan to ensure an effective, simple and evolving M&E system.	PCO	November 2016

<p><b><u>Complementarity with Technical and financial partners</u></b> Explore possibility of a FSDZ joint support for Rural Finance Fairs and/or sponsorship for Rural Finance Week/ National Conference , research and publications</p>	PCO	June 2017
<p><b><u>Collaboration with other IFAD programmes</u></b> Update “IFAD at a glance in Zambia” pamphlet and distribute to all programmes</p>	PCO/ICO/SAPP/E-SLIP/S3P	February 2017
<p><b><u>Portfolio Alignment</u></b> RUFEP should identify activities for synergies with other IFAD supported programmes in 2017 AWPB</p>	PCO/ICO	November 2017
<p>With other programmes organise annual portfolio review and synergy meeting in addition to the other on going to be hosted on a rotation basis</p>	PCO/ICO/SAPP/E-SLIP/S3P/MoF/MA/MLF	March 2017

## E. Fiduciary aspects

66. **Financial Management.** The FM Unit is composed of a Financial Controller (FC) and an Assistant Accountant (AA). The Financing agreement was signed in July 2014. The recommendations of the last supervision mission have been implemented. However, the semi-annual internal audit report was not available during this Mission. The Mission was informed that the internal auditors in charge of the audit are Government officers, and they will be performing the audit exercise before the end of the year. Also, Sage Evolution ERP Specialist has been engaged to assist the Financial Controller in the customization of the Financial Management Software in order to produce financial reports that meet stakeholder requirements including IFAD and the Government of Zambia.

67. **Financial Manual (FM).** The PCO shared with Mission the draft FM under preparation. The Mission noted that it has incorporated a sample of Financial Statements, Charts of Accounts, Contract Register, Procurement Plan, Contract management, and Asset register in the Financial Manual as recommended in the last supervision. The mission recommends that the project should accelerate the finalization of the PIM so that financial management section can be fully implemented.

68. **IFAD loan disbursement.** As of, end September 2016, the disbursement rate under IFAD Loan stands at 7.65% representing the two initial deposits of USD 600 000. The first disbursement (USD 300 000) was made in December 2014, and the second disbursement (USD 300 000) was made in December 2015. However, when the Mission factors in withdrawal application number 7 valued at USD 53, 320 that is pending submission to IFAD for the period ending 30<sup>th</sup> September 2016 the disbursement for IFAD will be 8.35%.

69. **Spanish Trust Fund disbursement.** As of, end September 2016, the disbursement rate under the Spanish Trust Fund of EURO 9 million stands at 14.14% equivalent to EURO 1,272,911.90. However, when the Mission factors in withdrawal application number 5 valued at

USD 124,094, submitted to IFAD on 22<sup>nd</sup> September 2016, and withdrawal application number 6 valued at USD 253,050 pending submission to IFAD for the period ending 30<sup>th</sup> September 2016 the disbursement rate for Trust Fund will be 18%.

70. **Counterpart funds.** Government of Zambia counterpart funding so far released amounts to USD 100 000 representing about 4% of the total commitment for the entire life of the project. However, the amount released is representative of the full GRZ commitment for the year 2016.

71. **Financial Performance by Financier.** As of 30 September 2016, the burn rate of the total financing stands at 3%. The amount of the IFAD loan utilised is USD 53,318, (0.2%), the Spanish Trust Fund is USD 746, 173, (3%), GRZ funding so far utilised is USD 32, 996 representing about 0.1% of the of the initial commitment as indicated in the agreement. Within each component, the financial execution rate is as follows: 0.3% in Component 1: Strategic Partnerships, 0.2% in Component 2: Innovation and Outreach Facility and 3.0% in Component 3: Knowledge Management & Programme Implementation. The Mission noted the low performance in terms of execution rate of component 2 and encourages the PCO to expedite implementation.

72. **Execution of the AWPB 2015/2016:** As of, 30th September 2016, the overall financial execution of the first fifteen (15) months AWPB 2015/2016 stands at 27.90% (USD 832,487 out of a budget of USD 2.984 million). This performance is rated moderately satisfactory. However, the Mission noted progress compared to the first quarter. For each component, the financial execution rate is as follows: 8.5% for component 1: Strategic Partnerships, 6.66% for component 2: Innovation and Outreach Facility, and 48.66% for component 3: Knowledge Management & Program Implementation. Even though to date, most of the activities planned in the 2015-2016 AWPB have not yet started. The mission noted that progress has been made in the implementation of the programme.

73. **Withdrawal Applications.** Since January 2015 to September 2016, a total of \$1, 995,607 was received from IFAD being the initial withdrawal application broken down as \$600,000 IFAD Loan and \$900,000 Spanish Trust Loan. During the quarter under review, a total of \$495,607 was submitted to IFAD under the Statements of Expenditure (SOEs) replenishment system and the reimbursement was received on 6th July 2016 and 22nd September 2016 respectively. For better cash flow management, the mission reminds the programme to present WA whenever the thresholds indicated in the letter to the borrower has reached 30% of the initial deposit or three months of activities whichever comes first.

74. **Statement of Expenditures review.** The Mission reviewed at random the SOEs supporting the Withdrawal Applications (WAs) 3 and 4, totalling USD 495,607. The random selection included 30 items totalling USD 224,510 representing 45.3 % of the total WAs value. The mission reviewed sample supporting documents for the SOEs with the aim of confirming the expenditures eligibility for claim and replenishment/re-imbursement. All of the expenses in the sample were validated with supporting documents and were found to be in accordance with the laid down procurement procedures and the Financing Agreement, and therefore eligible for claim. However, the Mission noticed with concern about loss of value for money resulting from Bank management operations. According to the programme design, RUFEP is required to have one programme account in Zambian Kwacha for programme operations in a commercial bank acceptable to the Fund. But the Mission learnt that on a regular basis the project is facing obligations in US Dollar currency. While paying USD obligations may not pose any challenges in the short run, the Mission notes that such undertaking will be expensive in the medium to long term. The mission recommends that to minimize losses the project should operate a dollar account.

75. **Reconciliation of the Designated Account.** RUFEP's bank statement reconciliation as at 30<sup>th</sup> September 2016 is presented in the table below: The Mission confirms that the reconciliation of the designated account was done correctly.

**Table 4: RUFEP Bank Statement Reconciliation**

No.	Description	Value (USD)
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<b>A</b>	<b>PRESENT OUSTANDING AMOUNT ADVANCED TO THE DESIGNATED ACCOUNT</b>		1 500 000,00
<b>B</b>	BALANCE OF DESIGNATED ACCOUNT	665,606.58	
<b>C</b>	BALANCE OF THE PROGRAMME ACCOUNT	579,117.44	
<b>D</b>	BALANCE OF CASH IN HAND	130.00	
<b>E</b>	AMOUNT WITHDRAWN FROM THE DESIGNATED ACCOUNT AND NOT YET CLAIMED FOR REPLENISHMENT	290,509.19	
<b>F</b>	<b>TOTAL (B +C + D+ E)</b>		<b>1,535,363.21</b>
<b>G</b>	<b>DIFFERENCES (A – F)</b>		<b>(35,363.21)</b>
	COUNTERPART FINANCIAL RESOURCES OUTSTANDING FOR GRZ		<b>(35,363.21)</b>
	<b>BALANCE</b>		

76. **Accounting/Financial management Software.** The financial management system, has been put in place. RUFEP is using Sage Evolution ERP software to keep the data, and mostly EXCEL spread sheets to produce financial information. The historical financial data from the beginning of the programme is being captured into the Sage Evolution system. However, the usage of the system is yet to be put into full use as some regular reports are still generated manually through Excel. Currently, a Sage Evolution ERP Specialist has been contracted to expand and update the software to be able to extract information from the Sage Evolution General Ledger and use the customized report functions to produce professional reports that suit stakeholder requirements, such as IFAD standard reports, Smart SoEs, progress reports, and the preparation of the WAs. The Mission recommends the optimization of the system by accelerating the automation of the reports as required by the IFAD.

77. **Internal control/Internal audit.** The Mission also noted adequate segregation of duties of the key function (Recording, authorizing, reconciling, recordkeeping) and control and approval procedures which are in place and effective. As the programme is under the trusteeship of the Ministry of Finance, financial management procedures are established in line with national rules and requirements. Since the last supervision Mission, the Internal Audit was held regularly and vouchers have been cleared by Internal Auditors on a monthly basis. However, the Mission noted the semi-annual internal audit report was not available for the Mission review. The Mission recommends to continue the current modalities of internal audit and recommends that the internal auditor *submits semi-annual reports before the end of the year*. Also, the programme should monitor the status of recommendations made by the internal auditor.



**Table 5: Financial Management follow up action points**

Agreed action	Responsibility	Agreed date
Finalize the 2017 AWPB which should be submitted to the steering committee and IFAD for no objection	FC, PC	November 2016
Finalize the PIM section on financial management, which should be submitted to the steering committee and IFAD for no objection	FC, PC	January 2017
The optimization of the system by accelerating the automation of the reports as required by the IFAD including additional Fixed Asset Register and Procurement Module	FC	December 2016

78. **Compliance with loan covenants.** The Mission notes that there is no contravention with respect to compliance with the financing agreement covenants. The status of compliance with key covenants is provided in appendix 4.

79. **External Audit.** The terms of reference of the audit were finalised and have received IFAD no objection. The first audit of the Programme will include the combined exercises 2015/2016. The audit exercise will be undertaken in 2017 and the report shall be submitted to IFAD before the 30<sup>th</sup> June 2017

**Table 6: Audit follow up actions points**

Agreed action	Responsibility	Agreed date
Submit semi-annual internal audit reports and follow the status of recommendations	FC, Internal Auditor	31 <sup>st</sup> July, 31 <sup>st</sup> December
Undertake the audit of 2015/2016 exercise and send the audit report by 30 June 2017 at IFAD	FC, Auditor General	30 <sup>th</sup> June 2017

80. **Procurement.** Some procurement delays are still being experienced because RUFEP has to adhere to GRZ's procurement policies. The Mission reviewed procurement processes on a sample, and established that there was compliance with Zambia Public Procurement Authority (ZPPA) and IFAD procurement guidelines. The Mission notes that there has been proper documentation of processes and the documents have been properly filed, but recommends improvement in maintaining a log to monitor procurement processes, which should ensure focus on items already procured and those outstanding. The Mission was informed of the departure of the Procurement Specialist. The process for replacement is already underway and the new Procurement Specialist is expected to report on 7<sup>th</sup> November 2016.

81. **Procurement Planning** – The Mission noted that implementation of the procurement plan was in line with the approved procurement plan and Annual Work Plan and Budget (AWPB). The Mission observed that the programme has already started the process for procuring vehicles through the United Nations Office for Project Services (UNOPS), and this process is almost in final stage of signing the contract. Also, under the services category, hiring of a consultant firm to design a Programme Monitoring and Evaluation System, and hiring of a consultant firm to undertake the baseline survey are advanced, at the signing stage. During the year the programme planned five (5) activities under services category out of which four (4) were undertaken. The PCO informed the Mission that the remaining activities will be carried out before the year ends. The Mission reminded the PCO that they can always seek hands-on procurement support from the IFAD Country Office whenever there is a need. In general, the Mission is satisfied with the above progress against the Procurement Plan made so far, but reiterates the adoption of the relevant templates/formats for the reporting.

82. **Contract Management.** The Mission notes that the function of contracts management continues to improve, but still requires further improvement by regularly updating the contracts monitoring forms and updating the related progress on the procurement plan.

83. **Fixed Assets Register.** The Mission informed the PCO that maintaining an up-to date fixed asset register is an important internal control element, reducing risk of misuse and loss. The Mission reviewed the RUFEP fixed asset register and noted that items procured are registered marked with inventory identification code stickers.

**Table 7: Procurement follow up action points**

Agreed action	Responsibility	Agreed date
1. Log all of the procurements at each stage to monitor how the time taken for each step may be decreased.	PS/PC	Immediately
2. Initiate the procurement process for consultancy services	PS/PC	Immediately

## F. Sustainability

84. Even though it is still too early to make substantive and definite comments on sustainability, this has been rated moderately satisfactory. The Mission notes the positive start the programme has taken by sensitizing IPs during orientation, which will contribute to stronger institutions. These institutions are encouraged to collaborate with beneficiaries and through financial literacy and other education programmes issues of empowerment and quality of beneficiary participation will be enhanced. Through continuous engagements with implementing partners, and subsequent training programmes, clear exit and scaling up strategies will be clarified. The Mission encourages the PCO to continue sensitising and agree on sustainability indicators with the partners' right from the onset and the same should be monitored periodically and appropriate action taken if and where there is need. The ICO and the annual Supervision Missions will monitor implementation progress and assess any potential risks to sustainability and, accordingly, recommend remedial actions.

## G. Overall Assessment and Risk Profile

85. It is too early to make definite comments and recommendations, but the Mission envisages that this situation will change soon as the IPs begin to accelerate implementation of planned activities. But the PCO is putting appropriate systems in place to monitor and manage risks. This has therefore been rated moderately satisfactory.

## H. Conclusion

86. The supervision Mission notes that the programme has gained momentum in all components and this should be maintained. The partners recognize the role RUFEP plays in improving financial inclusion especially in rural areas, and are satisfied with the relationship with RUFEP albeit delays in process. RUFEP needs to leverage on the goodwill it has and remain proactive in scoping for new opportunities to improve partnerships. It is therefore recommended that RUFEP undertakes all the recommendations in order to achieve set objectives.

87. GRZ and IFAD have agreed to jointly hold the next Supervision/Implementation Support Mission in May 2017. The Mission will review implementation, and provide implementation support as may be needed. IFAD and the Government of the Republic of Zambia endorse the findings of the Mission.



## Appendix 1: Summary of project status and ratings

### A. Basic Facts

Country	Zambia	Project ID	1650	Loan/DSF Grant No.	2000000429
Project	Rural Finance Expansion Programme			Top-up Loan/DSF Grant	
Date of Update	31 October 2016				
Supervising Inst.	IFAD/IFAD				
No. of Supervisions	3	No. of Implementation Support/Follow-up missions	With the establishment of the ICO, implementation support/follow-up is a continuous process		
Last Supervision	May 2016	Last Implementation Support/Follow-up Mission			

					USD million	Disb. rate %
Approval	Dec-2013			Total financing	26.3	
Agreement	22-Jul-2014	Effectiveness lag		IFAD Total	8.4	
Entry into force	22-Jul-2014	PAR value	Not at risk	IFAD loan	8.4	8.35
First disbursement				DSF grant		
MTR		Last amendment		IFAD grant		
Original completion	30-Sep-2022	Last audit		Domestic Total	5.9	
Current completion	30-Sep-2022			Beneficiaries	3.3	
Original closing	31-Mar-2023			Government (National)	2.6	4
Current closing	31-Mar-2023			External Co financing Total	12.0	
No. of extensions	0			Spanish Fund	12.0	18

### Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	4	4	1. Quality of project management	4	4
2. Acceptable disbursement rate	3	2	2. Performance of M&E	4	4
3. Counterpart funds	4	4	3. Coherence between AWPB & implementation	4	3
4. Compliance with financing covenants	4	3	4. Gender focus	4	4
5. Compliance with procurement	4	4	5. Poverty focus	4	4
6. Quality and timeliness of audits	4	4	6. Effectiveness of targeting approach	4	4
			7. Innovation and learning	4	4
			8. Climate and environment focus	4	4
B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Component 1: Strategic Partnerships	4	4	1. Institution building (organizations, etc.)	4	4
2. Component 2: Innovation and Outreach Facility.	4	4	2. Empowerment	4	4
3. Component 3: Knowledge management and Programme implementation	4	4	3. Quality of beneficiary participation	4	4
			4. Responsiveness of service providers	4	4
			5. Exit strategy (readiness and quality)	NA	4

			6. Potential for scaling up and replication	4	4
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#### B.5 Justification of ratings:

B.1.1. The PIM has not yet been finalized and approved. While most systems are in place, the accounting software is not yet fully operating. B.1.2. Rural finance Projects at Y3 of implementation should be 48%. The actual disbursement rate for RUFEP is 7.65% which is 15% of the target. B.1.4. PIM not finalized and approved; FM software not fully operational.

B.2.1. Good progress is being made but most of the activities seem to be at the preparatory stages. PIM, recruitment of a procurement specialist, baselines and accounting systems need to be finalised. 3. 27,9% of AWPB execution is moderately unsatisfactory.

B.3.1. While component implementation has picked up, activities are still in their early stage (see Appendix 5 on physical progress). Suggest rating of moderately satisfactory. MoUs finalisation and Signing should be given priority.

#### B. Overall Assessment and Risk Profile

		Last	Current
C.1	Physical/financial assets	NA	4
C.2	Food security	NA	4
C.3	Quality of natural asset improvement and climate resilience	NA	4
C.4	Overall <b>implementation progress</b> (Sections B1 and B2)	NA	4
<b>Rationale for implementation progress rating:</b> The Programme has not taken off in the field but the PCO is well established. To carry out its AWPB and to catch up on the implementation delays.			
C.5	Likelihood of achieving the development objectives (section B3 and B4)	NA	4
<b>Rationale for development objectives rating:</b> As preparations are being made to start Programme activity implementation, it is expected that the different interventions will progressively contribute to the attainment of the RUFEP development objectives. Once activity implementation starts, this will progressively be monitored. Implementation experience from RFP will be used to accelerate RUFEP implementation.			
C.6	<b>Risks</b> Short description of major risks for each section and their impact on achievement of development objectives and sustainability		
	Fiduciary aspects	The programme manages the funds in compliance with the Financing Agreement and the Letter to the Borrower. Recommendations of IFAD supervision missions have largely been implemented. So far there are no risks foreseen from the financial management aspects. However, based on the previous RFP implementation experience, there are still potential risks associated with the procurement function-related delays. Such delays, when they accumulate over time, could make it difficult for RUFEP to achieve its development objective. But the programme has been proactive is seeking solutions to overcome the delays	
	Project implementation progress	The programme carried out most of the planned preliminary activities, including: (i) ensuring signing of 6 MOUS; and (ii) holding orientation workshops for the partners; (iii) simplifying templates; (iv) start of randomized control studies develop baseline indicators for CBFIs; (v) developed a comprehensive and interactive website. While the PCO has made strides in simplifying the processes and minimizing information asymmetries on part of potential partners, IOF window 3 has not yet generated much interest	
	Outputs and outcomes	Concerning the outcomes of RUFEP, the programme experienced some start delays and this delay has occasioned delay of implementation of partner activities. So the activity period, is still short to analyse outcomes that benefit the target group. During the period under consideration (October 2015-December 2016, preliminary support was planned to be provided to major strategic partners under the 3 windows and some MOUs have already been signed and one disbursement undertaken. More disbursements are expected before end of the year.	
	Sustainability	It is too early to assess sustainability issues. But it is good to note that partners are being sensitized from the beginning. It will be advisable to include some sustainability parameters for partners to report .based on, the Programme design and implementation plan. The ICO and the annual Supervision Missions will monitor implementation progress and assess any potential risks to sustainability and, accordingly, recommend remedial actions.	

### C. AGREED ACTION POINTS

Agreed action	Responsibility	Agreed date
<b>Strategic Partnerships</b> Expedite orientation workshop with BOZ and use that forum for further elaborate discussions on immediate and future areas of collaborations as these could not all be covered by the Mission	PCO	November 2016
RUFEP works with BOZ to do a stock take on AMIZ and decide whether it is worth trying to re-establish AMIZ or come up with alternate options	PCO	March 2017
RUFEP should maintain the on-going round table discussions between Investment and Debt Management Department (IDMD), Economic Management Department (EMD) of MoF and BOZ to ensure similar interventions are not being done in parallel	PCO	March 2017
Set budget line for RFU establishment in the 2017 national budget in line with the approved Rural Finance Policy and need for long term staffing and sustainability	MoF/IDM/EDM	November 2016
Provide support to MoF to expedite the launch and dissemination of the Rural Finance Policy & the launch of RUFEP	PCO	February 2017
Work closely with the Investment and Debt Management Department of MoF to undertake some preparatory works for the RFU establishment	PCO	December 2016
<b>IOF</b> Now that the GAs are cleared expedite disbursements in order to get partner activities to start	PCO	December 2016
To improve uptake of IOF Window 3, explore possibility of changing the term "Equity" and also explore partnership with universities and other recognized training institutions to develop short courses in Rural Finance/Product Development	PCO	March 2017
Develop a tool similar to the developed fast tracking tool to monitor and support fast track of partners' planned activities as listed in the AWPB	PCO	March 2017
<b>M&amp;E</b> Change indicator in log frame component 1 output 2 and	PCO	November 2016

component 2 output 1 as discussed with the Mission and noted in the Aide Memoire		
Undertake post disbursement monitoring to ensure investments are aligned to expected outputs. Also undertake joint review and planning activities in order to strengthen partnerships	PCO	March 2017
Expedite the start and completion of database system development to improve efficiency and ensure accuracy of partner reporting	PCO	November 2016
The Programme Implementation Manual (PIM) finalization and validation process needs to be expedited, as it is the major tool and guideline for meeting fiduciary requirements and framework implementation guidance for different implementing partners and service providers	PCO	January 2017
Complete the AWPB	PCO	November 2016
<b><u>Procurement</u></b> RUFEP should finalise the contracting of a consulting firm to design the PME system in line with the TORs and follow the M&E plan to ensure an effective, simple and evolving M&E system.	PCO/IC0 PCO	November 2016
<b><u>Complementarity with Technical and financial partners</u></b> Explore possibility of a FSDZ joint support for Rural Finance Fairs and/or sponsorship for Rural Finance Week/ National Conference , research and publications	PCO	June 2017
<b><u>Collaboration with other IFAD programmes</u></b> Publish pamphlets that summarize all projects and distribute to all programmes	PCO/ICO/SAPP/E-SLIP/S3P	February 2017
<b><u>Portfolio Alignment</u></b> RUFEP together with other programmes use the SaveNet Platform to explore graduation strategies and joint financial literacy	PCO/ICO	February 2017
With other programmes organise annual portfolio review and synergy meeting in addition to the other on going to be hosted on a rotation basis	PCO/ICO/SAPP/E-SLIP/S3P/MoF/MA/MLF	March 2017
The optimization of the system by accelerating the automation of the reports as required by the IFAD including additional Fixed Asset Register and Procurement Module	FC	31 <sup>st</sup> December 2016

Submit semi-annual internal audit reports and follow the status of recommendations	FC, Internal Auditor	31 <sup>st</sup> July, 31 <sup>st</sup> December
Undertake the audit of 2015/2016 exercise and send the audit report by 30 June 2017 at IFAD	FC, Auditor General	30 <sup>th</sup> June 2017
Initiate the process for the procurement of the two service contracts, including developing TORs and seeking the necessary IFAD No Objection and clearances to ensure their timely completion of the activities	PCO/ICO	Immediately
Log all of the procurements at each stage to monitor how the time taken for each step may be decreased.	PS/PC	Immediately
Initiate the procurement process for consultancy services	PS/PC	Immediately





## Appendix 2: Updated logical framework: Progress against objectives, outcomes and outputs

Results Hierarchy	Objectively Verifiable Indicators (OVIs)	Means of Verification (MOV)	Assumptions/Risk
<b>Overall Goal</b>			
Contribute to Improved livelihoods of the rural poor through sustainable economic growth	<ul style="list-style-type: none"> <li>At least 30,000 (of 6 members each) rural households with improved food security by end of programme from baseline at the start of RUFEP.</li> <li>5% reduction in the prevalence of child malnutrition rate from the 2010 GRZ baseline.</li> </ul>	<ul style="list-style-type: none"> <li>Demographic and Health, Income and food security Surveys conducted by the Central Statistical Office (CSO)</li> </ul>	<ul style="list-style-type: none"> <li>Stable political and economic environment</li> </ul>
<b>Programme Development Objective</b>			
Increased access to and use of sustainable financial services by poor rural men, women and youth	<ul style="list-style-type: none"> <li>15% of rural households with improvement in access to sustainable financial services at programme completion</li> <li>5% reduction in the prevalence of child malnutrition from the 2010 baseline</li> </ul>	<ul style="list-style-type: none"> <li>FinScope Surveys</li> <li>Baseline and Impact assessment</li> <li>Health surveys by CSO</li> </ul>	<ul style="list-style-type: none"> <li>Absence of external and internal economic shocks. No financial sector policy interference by GRZ</li> </ul>
<b>Component 1: Strategic Partnerships</b>			
<b>Outcome 1: Enhanced capacity of FSPs to deliver demand-driven services in rural areas</b>	<ul style="list-style-type: none"> <li>FSPs have improved profitability at or above operational self-sufficiency levels.</li> <li>FSPs have attained /improved some or all of the following performance indicators; (i) Increase in number of rural outlets /clients; (2) reduced cost of money unit lent; (3) higher rural portfolio volume; and /or (4) Increased choice of products /services offered.</li> <li>FSPs have improved portfolio at risk over 30 days to 5% or below; operational self-sufficiency &gt;100%; operating expenses ratio to 25%.</li> <li>The Non-Performing Loan (NPL) ratio for agricultural purposes has remained within the average NPLs for all sectors in at least five of Programme years.</li> </ul>	<ul style="list-style-type: none"> <li>Annual Audited Financial Statements of FSPs</li> <li>Mix Market and Mix Gold</li> <li>Mid-Term and End of Project Evaluation Reports</li> </ul>	<ul style="list-style-type: none"> <li>Stable political and economic environment</li> <li>Reduced negative impact of HIV/AIDS and poor health status of poor households.</li> </ul>

<b>Output 1:</b> A new framework for regulation and supervision of Agency banking/ Mobile banking is introduced and rolled out.	<ul style="list-style-type: none"> <li>At least five Banks/FSPs are operating rural agent networks with at least 30 agency outlets in unbanked and banked rural areas.</li> <li>At least 100,000 new accounts opened and maintained by clients at new rural branches /agents of Banks/FIs /MFIs and 200,000 rural/urban people registered and using money transfer services</li> </ul>	<ul style="list-style-type: none"> <li>BoZ reports</li> <li>RUFEP M&amp;E records</li> </ul>	<ul style="list-style-type: none"> <li>BOZ willing to implement the innovative regulations</li> <li>GRZ committed to financial inclusion rural areas</li> </ul>
<b>Output 2:</b> Licensed and regulated deposit-taking MFIs have access to a Line of Credit (LoC) from DBZ for investments in the agricultural sector.	<ul style="list-style-type: none"> <li>Operating manuals for the refinance facility approved by the DBZ Board of Directors</li> <li>At least 8 commercial banks and MFIs will have accessed LoC from DBZ by end of project period</li> <li>The 8 FSPs accessing LoC will have increased their agriculture portfolio by at least 10%</li> <li>DBZ will have disbursed to FSPs a minimum of amount equivalent to US \$ 6 million by the end of RUFEP.</li> </ul>	<ul style="list-style-type: none"> <li>DBZ annual financial statements and reports</li> <li>RUFEP M&amp;E records</li> </ul>	<ul style="list-style-type: none"> <li>DBZ still willing to continue with LoC.</li> <li>GRZ willing to leave funds from RFP with DBZ.</li> </ul>
<b>Output 3:</b> New CBFIs have been created and existing ones strengthened and operate sustainably – being monitored by SaveNet.	<ul style="list-style-type: none"> <li>1,500 newly formed CBFIs with 30,000 members and at least 1,000 existing ones composed of at least 20,000 members strengthened</li> <li>At least 80% of newly formed and strengthened CBFIs continue to operate strongly three years after creation and 20% formal linkages and retaining 60% original membership.</li> <li>The CBFIs use of an increasing number of financial products and services and/or 40% of members using credit versus non-credit products and services</li> </ul>	<ul style="list-style-type: none"> <li>Records of grant recipients</li> <li>RUFEP M&amp;E records</li> </ul>	<p>Sufficient capacity of the network of CBFI promoters</p>

<p><b>Output 4:</b> New and existing Institutional frameworks are strengthened at Meso level to support the FSPs to deliver services to rural areas</p>	<ul style="list-style-type: none"> <li>• RFU created in the MOF (supported by RUFEP and MOF) and has rolled out the implementation of RFPS and number of staff allocated to RFU increased.</li> <li>• RFU has taken lead and improved sector coordination, holding coordination meetings at least twice a year.</li> <li>• A strong association of Microfinance Institutions of Zambia (AMIZ) supporting the MFI industry with quarterly collection and dissemination of information on financial sector performance and markets trends.</li> <li>• AMIZ/SaveNet organizing best practices quarterly courses for members on a cost share basis.</li> <li>• AMIZ achieving at least 80% collection of dues and membership fees annually.</li> <li>• SaveNet created and facilitating coordination of CBF industry development and linkage to international best practices.</li> <li>• AMIZ/SaveNet improved self-sufficiency</li> </ul>	<ul style="list-style-type: none"> <li>• RUFEP KM &amp; Mission Reports</li> <li>• GRZ Budget</li> <li>• AMIZ records, SaveNet records</li> </ul>	<p>GRZ is willing and committed to rural finance inclusion and enabling environment</p>
<p><b>Output 5:</b> Staff of FSPs, Apex institutions and other relevant institutions have received training and technical assistance on agricultural and rural finance</p>	<ul style="list-style-type: none"> <li>• At least 2,000 participants have attended courses offered on agricultural and rural finance with RUFEP support by end of Programme. Some of the courses may include; (Agricultural Lending, Savings Mobilization, Making Insurance work for the poor, Microfinance Best Practices, Corporate Governance, Risk Management, Market Research and Strategic Planning)</li> <li>• 60% of post-course monitoring of participants at FSPs' courses on agricultural and rural finance show producers are able to plan for agri-production diversification of crops and financing of the agribusiness yielding high levels of satisfaction with relevance and quality of training.</li> </ul>	<ul style="list-style-type: none"> <li>• AMIZ, SaveNet, Bankers Association and FSPs records on participants and topics</li> <li>• RUFEP KM Reports</li> <li>• Post-training satisfaction monitoring Reports</li> </ul>	

<b>Component 2: Innovation and Outreach Facility (IOF)</b>			
<b>Outcome 2: Improved efficiency and sustainability of rural financial services</b>	<ul style="list-style-type: none"> <li>At least 49,000 households have accessed and used mobile financial services.</li> <li>The volume of deposit and loan transactions generated by PFIs has increased by 20% by the end of RUFEP from baseline.</li> <li>At least five FSPs have introduced five new products to serve rural areas /farmers by the end of the Programme and the new products usage has increased by at least 190,000 people 50% of whom are youth and women.</li> </ul>	<ul style="list-style-type: none"> <li>Mid-Term and End of Project Evaluation Reports.</li> <li>BoZ Annual reports</li> <li>Periodic Fin Access surveys conducted by FinMark Trust.</li> </ul>	<ul style="list-style-type: none"> <li>All stakeholders are responsive to financial and technological innovations.</li> </ul>
<b>Output 1:</b> New and sustainable financial services and products targeted at rural clients tested and scaled up.	<ul style="list-style-type: none"> <li>At least 5 of new financial products and two delivery models targeted at rural clients (by type and FI) are tested and rolled out by the end of RUFEP</li> <li>At least 190,000 users of new financial products</li> <li>The percentage of the unbanked rural and urban MSME is reduced by at least 10% from baseline of 2015 (FinScope Survey) to the of RUFEP</li> <li>At least 20% increase in the volume of transactions generated in the rural areas by the FSP from baseline of 2015 FinScope Survey</li> </ul>	<ul style="list-style-type: none"> <li>Records of grant recipients</li> <li>RUFEP M&amp;E records</li> <li>FinScope Survey records</li> </ul>	<ul style="list-style-type: none"> <li>The demand for innovative financial products is sustained</li> </ul>
<b>Output 2:</b> IOF effectively operated to test innovative financial products and delivery mechanisms for the agriculture and rural areas.	<ul style="list-style-type: none"> <li>At least 1,500 mobile and bank agents registered and operating successfully.</li> <li>A total of 72 grants of IOF are approved and at least 60% of the innovation projects are successfully completed by the three windows by the end of RUFEP</li> <li>At least 10% matching contribution for window 1 and 3 and 50% contribution for window 2 Value of IOF support from the participating organizations.</li> <li>At least 20% CBFIs linked to formal FSPs for savings and other services such as credit lines.</li> </ul>	<ul style="list-style-type: none"> <li>IOF participating institution records</li> <li>RUFEP M&amp;E and progress reports</li> <li>Agreement and MOUs signed for linkage</li> <li>Approved credit lines and savings accounts</li> </ul>	<ul style="list-style-type: none"> <li>Technological innovations exist.</li> </ul>

Component 3: Knowledge Management & Programme Implementation			
<b>Output 1:</b> Effective dissemination of information to stakeholders and effective management of Programme Implementation.	<ul style="list-style-type: none"> <li>At least one annual multi-stakeholder (micro, meso and macro level ) workshop to share RUFEP experiences and plans</li> <li>Specific events organized for dissemination for stakeholders (include workshops, publications, e-mails, conferences, websites, etc.)</li> <li>PCO have developed /procured data collection and analysis tools such as PULSE.</li> <li>PCO have collected, analysed and disseminated sector information to relevant stakeholders quarterly and annually.</li> <li>PCO have prepared accurate quarterly and annual reports on time.</li> <li>At least 2,000 participants are reached by events organised for stakeholders.</li> <li>Website for RUFEP purposes created and updated at least thrice a year</li> </ul>	<ul style="list-style-type: none"> <li>RUFEP records</li> <li>Annual , Mid-Term and Project Completion Reports</li> </ul>	<ul style="list-style-type: none"> <li>Stakeholder buy into RUFEP's KM supported activities</li> </ul>



### Appendix 3: Financial: Actual financial performance by financier; by component and disbursements by category.

**Table 3A: Financial performance by financier**

Financier	Appraisal (USD '000)	Expenditure (USD '000)	Burn Rate
GRZ	2 612	33	1%
IFAD Loan	8 416	53	1%
Spanish Trust Fund	11 988	746	6%
Participating Institutions	3 298	-	0%
Total	26 314	832	3%

**Table 3B: Financial performance by financier by component (USD '000)**

	GRZ			IFAD Loan			Spanish Trust Fund Loan			Participating institutions			Total		
Component	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
Strategic Partnerships	1 743	4	0%	4216	35	1%	3 989	40	1%	1 138	- 0		11 086	79	1%
Innovation and Outreach Facility		5	na	4 200	17	0%	2 690	17	1%	2 160	- 0	0%	9 050	39	0%
Knowledge Management & Programme Implementation	869	24	3%		1	na	5 309	689	13%			0%	6 178	714	12%
Total	2 612	33	1%	8 416	53	1%	11 988	746	6%	3 298	-	0%	26 314	832	3%



**Table 3C1: IFAD loan disbursements (SDR, as at 30<sup>th</sup> September 2016)**

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
III	Consultancies	560,000.00				560,000.00	0.00%
I	Equipment and Materials	180,000.00				180,000.00	0.00%
IV	Grants and Subsidies	2,470,000.00				2,470,000.00	0.00%
V	Operating costs	420,000.00				420,000.00	0.00%
II	Training	1,320,000.00				1,320,000.00	0.00%
	Advance Account			205,284.01		-205,284.01	0.00%
	Authorised allocation			215,518.79		-215,518.79	0.00%
	Unallocated	550,000.00				550,000.00	0.00%
	Total	5,500,000.00	0,00	420,802.80	0,00	5,079,197.20	7.65%

**Table 3C2: Spanish Fund loan disbursements (SDR, as at 31<sup>st</sup> September 2016)**

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
III	Consultancies	3,000,000.00		13,631.00		2,986,369.00	0.45%
I	Equipment and Materials	160,000.00		75,981.58		84,018.42	47.49%
IV	Grants and Subsidies	1,800,000.00		6,012.97		1,793,987.03	0.33%
V	Operating costs	2,670,000.00		337,707.54		2,332,292.46	12.65%
II	Training	470,000.00		16,157.04		453,842.96	3.44%
	Authorised Allocation			823,421.77		-823,421.77	0.00%
	Unallocated	900,000.00		0.00		900,000.00	0.00%
	Total	9,000,000.00	0,00	1,272,911.90	0,00	7,727,088.10	14.14%

## Appendix 4: Compliance with legal covenants: Status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Section C2	The following are designated as additional Programme Parties : The Bank of Zambia (BoZ) and the Ministry of Agriculture and Livestock (MAL)		Complied	
Section E1	The following are designated as additional general conditions precedent to withdrawal:			
(a)	The designated account and programme account shall have been duly opened	Precedent to withdrawal	Complied	
(b)	The Programme Steering Committee (PSC) shall have been duly staffed	Precedent to withdrawal	Complied	
(c)	The Programme Coordination Office (PCO) shall have been duly established	Precedent to withdrawal	Complied	
(d)	The memorandum of Understanding (MoU) between the MoF and BoZ shall have been duly executed	Precedent to withdrawal	Complied	
(e)	The Programme Implementation Manual (PIM) shall have been submitted and approved by the Fund	Precedent to withdrawal	Complied	A draft of PIM has been sent. PIM shall have been updated, submitted and approved by the Fund on 31 <sup>st</sup> December 2016
(f)	A standard separate financial management software acceptable to the Fund shall have been installed and operational		Complied	Pastel software already procured and used by the Programme. The Consultant is actively on the customization of Pastel to
Schedule 1				
Par 8	Programme vetting Committee (PVC)		complied	PVC is in place
Par 9	Performance-based Grant agreements with each grant recipient financed by the IOF facility		Not yet complied	On-going activities
Par 10	Memorandum of Understanding : The MoF shall enter into a MoU with BoZ and DBZ		complied	MoU have been signed
Par 11	Subsidiary agreements : The Lead Program Agency Shall enter into an agreement/contract for services for each service provided for the implementation of Programme		complied	

Section	Covenant	Target/Action Date	Due	Compliance Status/Date	Remarks
	activities assigned thereto, including amount overs, the AMIZ, and the SaveNet			Complied	
Schedule Par 2	The borrower shall insured that Programme is exempted from taxes				GoZ provide counterpart funds to clear taxes
Par 3	Selection of partners. The borrower shall insure that partnerships under component A shall undergo rigorous pre assessment including due diligence and analysis of needs and most effective means of addressing such needs.			complied	

## Appendix 5: Physical progress measured against AWP&B, including RIMS indicators

Component/output/Activities	M&E	PHYSICAL							COMMENTS
			Period Ending December 2016			Cumulative			
Outputs	Indicator	Unit	AWP B	Actual	% of AWP B	Appraisal	Actual	% of Appraisal	
COMPONENT 1: STRATEGIC PARTNERSHIPS									
1. A new framework for regulation and supervision of Agency banking/ Mobile banking is introduced and rolled out	Banks / FSPs operating rural agent networks in un- and under-Banked rural areas	Number	1	0	0	5	0	0	Grant Agreement has just been signed
	Agency outlets appointed in un-and under banked rural areas	Number	6	0	0	30	0	0	As above
	New accounts opened and maintained by clients at new rural branches / agents of Banks /FIs/MFIs	Female	4,688	0	0	50,000	0	0	As above
		Male	4,688	0	0	50,000	0	0	As above
	Number of rural/urban people registered and using money transfer services	Female	9,375	0	0	100,000	0	0	As above
		Male	9,375	0	0	100,000	0	0	As above
2. Licensed and deposit-taking MFIs have access to a line of credit (LoC) from DBZ for investments in the agricultural sector.	Operating manuals for the refinance facility approved by the DBZ Board of Directors	Number	1	0	0	1	0	0	MoU has just been signed
	Number of commercial banks and MFIs accessing LoC from DBZ by end of project period	Number	2	0	0	8	0	0	As above

	Percentage of agricultural portfolio by commercial banks and MFIs accessing LoC increased by 10%	%		0	0	10%	0	0	As above
3. New CBFIs have been created and existing ones strengthened and operate sustainably - being monitored by SaveNet.	Formal linkages created - 20%	Number	225	0	0	500	0	0	Two Grant Agreements have been signed recently and the next AWPB will track linkages
	Membership retained (new and old groups) - 60%	Female	1,688	0	0	18,000	0	0	Data on baseline is yet to be collected
		Male	1,125	0	0	12,000	0	0	As above
	The CBFIs use of an increasing number of financial products and services and/or 40% of members using credit versus non-credit products and services.	%	40%	0	0	40%	0	0	As above
4. New and existing Institutional frameworks are strengthened at Meso level to support the FSPs to deliver services to rural areas.	RFU created in the MoF (supported by RUFEP and MoF) and has rolled out the implementation of RFPS	Number	1	0.5	0	1	0	50	MoF has appointed 2 part-time staff to conduct initial activities
	RFU has taken lead and improved sector coordination, holding coordination meetings at least twice a year.	Number	1	0	0	16	0	0	PCO supporting RFU part time staff to prepare for launch of RFPS

	A strong AMIZ supporting the MFI industry with quarterly collection and dissemination of information on financial sector performance and market trends (Apex strengthened).	Number	3	0	0	32	0	0	BoZ and PCO engaging AMIZ Board for a way forward as the former is dormant.
	AMIZ/SaveNet organizing best practices quarterly courses for members on a cost share basis.	Number	2	0	0	32	0	0	As above for AMIZ. SaveNet MOU with MoJ. SaveNet members meet monthly and are active.
	AMIZ achieving at least 80% collection of dues and membership fees annually.	%	0	0	0	80%	0	0	As above
	SaveNet created and facilitating coordination of CBFi industry development and linkage to international best practices (Apex formed).	Number	1	0	0	1	0	0	SaveNet members meet monthly and are active.
	AMIZ/SaveNet Improved self-sufficiency.	Number	0	0	0	0	0	#DIV/0!	As above
5. Staff of FSPs , Apex institutions and other relevant institutions have received training and technical assistance on agricultural and rural finance	Number of participants attending courses offered on agricultural and rural finance with RUFEP support by end of the Programme.	Female	94	3	0	1,000	0	0.3	RUFEP staff including MoF officers under PSU have under gone capacity building
		Male	94	2	0	1,000	0	0.2	As above

	60% of post-course monitoring of PFSPs' courses on agricultural and rural finance show producers are able to plan for agri-production, diversification of crops and financing of the agribusiness.	%	60%	0	0	60%	0	0	At MTR and End of RUFEP
6. New and sustainable financial services and products targeted at rural clients tested and scaled up	New financial products targeted at rural clients are tested and rolled out by end of RUFEP.	Number	1	0	0	5	0	0	Not yet done as MOUs have recently been signed
	Delivery models tested and rolled out	Number	1	0	0	2	0	0	As above
	Number of users of new financial products	Female	8,906	0	0	95,000	0	0	As above
		Male	8,906	0	0	95,000	0	0	As above
	The percentage of the unbanked rural and urban individuals who rely on own business reduced by at least 10% from baseline of 2015 (Finscope Survey) to end of RUFEP.	%	0	0	0	10%	0	0	As above
	At least 15% increase in number of individuals financially included in the rural areas from baseline of 2015 Finscope survey	%	0	0	0	15%	0	0	As above
COMPONENT 2: INNOVATION AND OUTREACH FACILITY									
7. IOF effectively operated to test Innovative financial products and delivery mechanisms for the agriculture and rural areas.		Female	56	0	0	600	0	0	As above
		Male	84	0	0	900	0	0	
	Mobile and bank agents registered and operating successfully								
	Number IOF grants approved by the end of RUFEP		7	5		72		6.9	So far PVC has approved 5 proposals under IOF

	Number of innovation projects successfully completed by the end of RUFEP.	Number	4	0	0	43	0	0	Not yet done as GAs have recently been signed
	10% matching contribution for window 1 and 3 Value of IOF support from the participating organizations.	%	10%	10%	1	10%	0	100	As above
	40% contribution for window 2 (Agency/ Mobile banking) Value of IOF support from participating organisations.	%	50%	0	0	50%	0	0	As above
	20% CBFIs linked to formal Financial Service Providers for savings and other services such as credit lines.	%	20%	0	0	20%	0	0	As above
COMPONENT 3:KNOWLEDGE MANAGEMENT AND PROGRAMME IMPLEMENTATION									
8. Effective dissemination of information to stakeholders and effective management of Programme Implementation	Number of multi-stakeholder workshops to share RUFEP experiences and plans.	Number	1	1	1	8	0	12.5	PCO has conducted orientation workshops for Implementing Partners as a way guiding them on the plans for RUFEP
	Number of specific dissemination events organized for stakeholders (include workshops, publications, e-mails, conferences, websites etc.)	Number	2	0.25	0.125	24	0	1.04	Some content on RUFEP has been disseminated via the website and the information packs.



PCO have developed/procured data collection and analysis tools	Number	1	0	0	1	0	0	Work in Progress
PCO have collected, analyzed and disseminated sector information to relevant stakeholders quarterly and annually.	Number	4	0	0	32	4	0	PCO has only conducted a desk review to feed into the KM& Communications Strategy which is still under development
PCO have prepared accurate quarterly and annual reports on time	Number	4	3	0.75	32	4	9.375	PCO has been able to produce the required reports and share with relevant stakeholders including PSC
Number of participants are reached by events organized for stakeholders.	Female	94	0	0	1,000	0	0	Not yet done
Number of participants are reached by events organized for stakeholders.	Male	94	0	0	1,000	0	0	Not yet done
Website for RUFEP purposes created	Number	1	1	1	1	1	100	
Periodic update of Website	Number	2	0	0	24	0%	0	The website was recently launched. Content on the Programme is uploaded on the site

### RIMS indicators

3. New CBFIs have been created and existing ones strengthened and operate sustainably - being monitored by SaveNet.	Savings Groups formed	Number	141	0	0	1,500	0	0	No activities on the ground yet
	Voluntary Savers - new groups	Female	1,688	0	0	18,000	0	0	As above
	Voluntary Savers - new groups	Male	1,125	0	0	12,000	0	0	As above
	Savings Groups strengthened	Number	94	0	0	1,000	0	0	As above
	Voluntary Savers - old groups	Female	1,125	0	0	12,000	0	0	As above
	Voluntary Savers - old groups	Male	750	0	0	8,000	0	0	As above
	Active Savings Groups after 3 years (new and old) - 80%	Number	1,266	0	0	2,000	0	0	As above
	Active borrowers (disaggregated by gender)	Number	703			20,000		0	As above
			468			18,000		0	As above
	Government officials and staff trained	Number	94	5		1,000		0.5	As above
	Staff of service providers trained	Number	94			1,000			As above

## **Appendix 6: Knowledge management: Learning and Innovation**

### **Learning**

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Not yet Applicable. Programme implementation is about to start.

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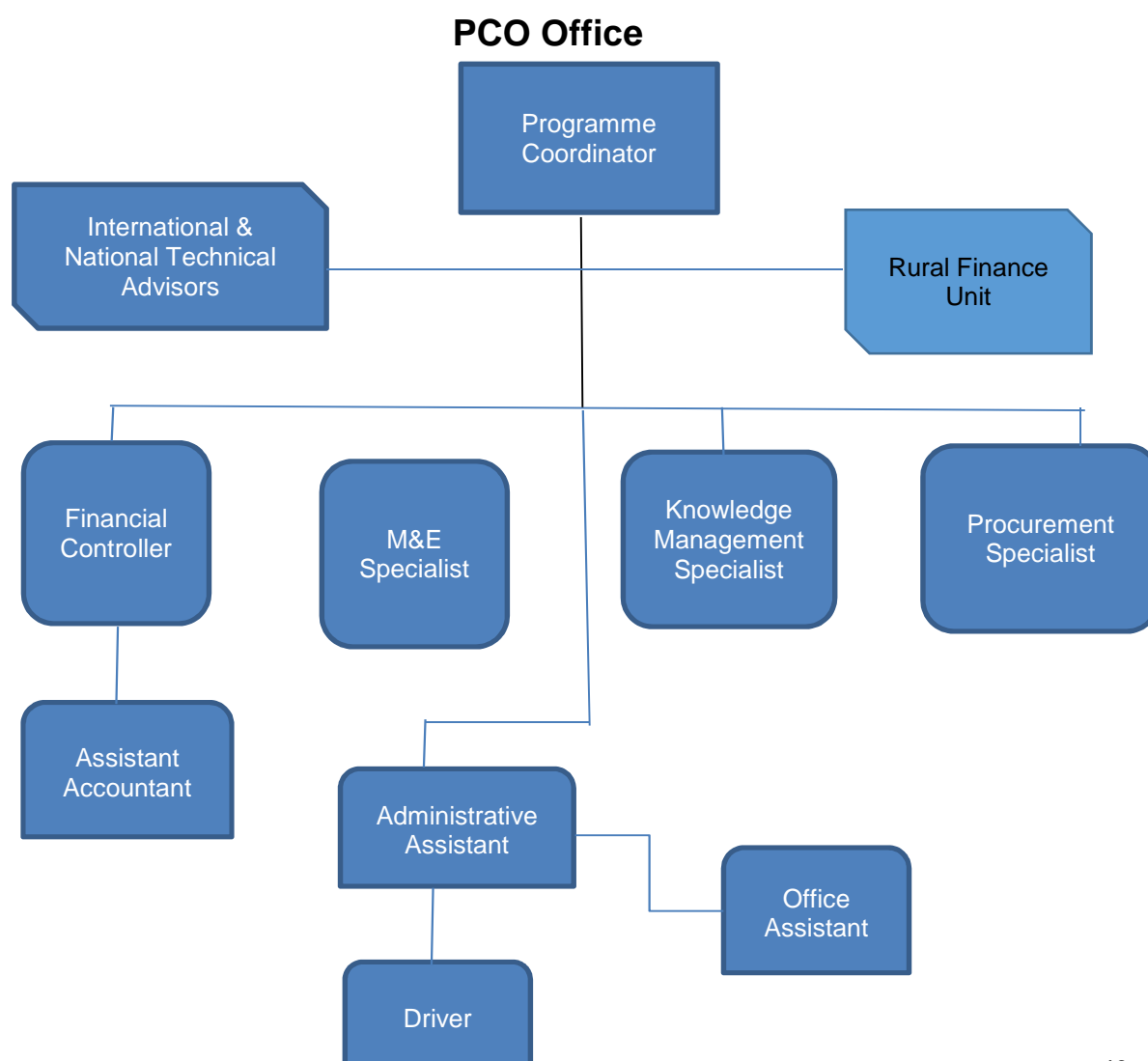
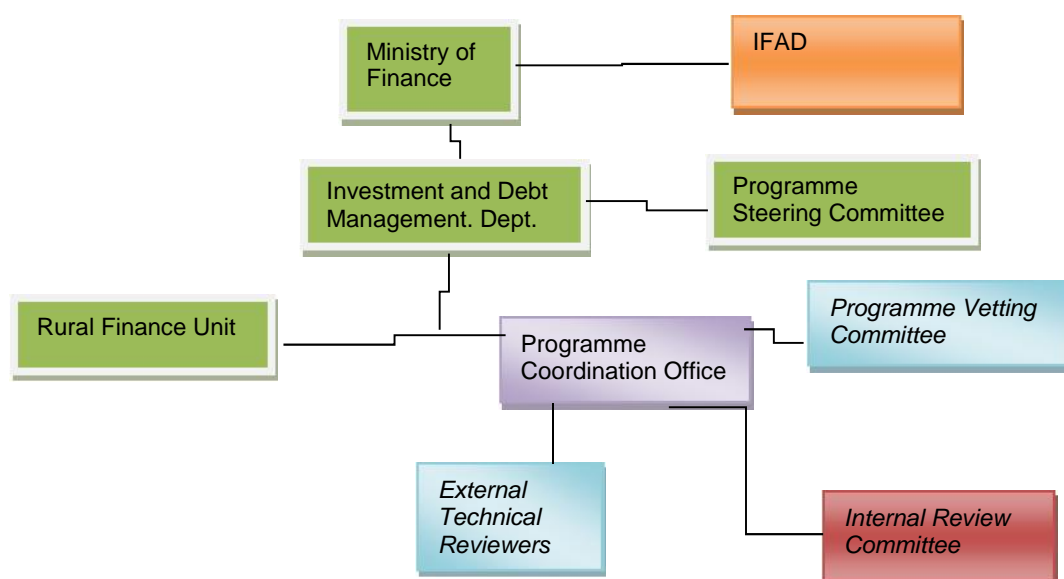
### **Innovation: Describe any interesting innovation noted during supervision**

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Not yet Applicable. Programme implementation is about to start.

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## Appendix 7: Rural Finance Expansion Programme - Organogram



## Appendix 8: List of persons met

NAME	FUNCTION	Organisation
Pamela C. Kabamba	Permanent Secretary, BEA	MoF
Joseph Munyoro	Assistant Director NBFI Dept.	BoZ
Marvin M. Ilunga	Specialist, Financial Sector Development	BoZ
Sylvester Kabwe	Senior Inspector/Policy Specialist, Financial Sector Development	BoZ
William Kabwe	Acting Director IDMD	MoF
Mukuli Chikuba	Director, EMD	MoF
Derrick Simukoko	Chief Economist, IDMD/RFU	MoF
Boyd Ng'andu	Senior Economist, IDMD/RFU	MoF
Joseph Tumba	Economist	MoF
Nchimunya Shatontola	Economist, IDMD	MoF
Jacob Lusinga	Managing Director	DBZ
Mavis Chaile	Chief Investment Officer	DBZ
Carol Mwila	Head of Treasury	DBZ
Addie Liempe	Chief Risk Officer	DBZ
Nkosilathi Moyo	Chief Executive Officer	VFZ
Mwikisa Likulunga	Chairperson	PVC
Mubiana Mutumba	Member	PVC
Brian G. Mtonya	Senior Private Sector development Specialist	World bank
Betty Wilkinson	Chief Executive Officer	DFID-FSDZ
Joackim Kasonde	Project Manager, Rural and Agriculture Finance	DFID- FSDZ
Samuel Tembo	Quality Effectiveness Manager,	Acting Chairperson - SaveNET /Plan international
Tea Tihounova	Head of Mission in Zambia	Caritas/SaveNet Member
Martina Havlikova	Head Of Programmes	Caritas/SaveNet Member
Ted A Bear	IFAD	Consultant
Abla Benhammouche	IFAD	Country Director
Dick Siame	Country Programme Officer	IFAD
Wassem Khan	Procurement and Administration Officer	IFAD
Michael M. Mbulo	Programme Coordinator	RUFEP
Ezra Chibwe	Financial Controller -	RUFEP
Gareth Evans	International technical Advisor	RUFEP
Caiaphas Habasonda	National Technical Advisor	RUFEP
Womba Kawanu Phiri	M&E Specialist	RUFEP
Cephas Moonga	Knowledge Management Specialist	RUFEP
Debora Chibonga	Assistant Accountant	RUFEP

## Appendix 9: Programme for supervision and implementation support mission – 17 October – 4 November 2016

Date	Person	Position & Institution	Component	Time	Venue
17/10/16 Monday	RUFEP PCO	RUFEP Team		08.00 – 13.00	RUFEP, Thabo Mbeki Road
	Michael Mbulo	Prog Coordinator	I-III		
	Ezra Chibwe	Financial Controller			
	Womba K. Phiri	M&E Specialist			
	Chisala Mutale	Procurement Specialist (Outgoing)			
	Caiaphas Habasonda	National Technical Advisor			
	Gareth Evans	International Technical Advisor			
	Cephas Moonga	Knowledge Management Specialist			
	Deborah Chibonga	Assistant Accountant			
	David Chibutu	Administrative Assistant			
18/10/16 Tuesday - Public Holiday					
19/10/16 Wednesday	<b>Ministry of Finance</b>				
	Pamela C. Kabamba (All)	Permanent Secretary - BEA	I-III	08.00	MoF, Chimanga Road
	Mr. William Kabwe	Acting Director IDMD - MoF	I-III	08.30	
	Mr. Derrick Simukoko	Chief Economist & Policy Advisor RFU , IDMD / RFU	I-III	08.30	MoF
	Mr. Boyd Ng'andu	Senior Economist, GI, IDMD/RFU		08.30	MoF
	Mr. Joseph Tumba	Economist - GI			
20/10/2016	<b>SaveNET</b>				
	Mr. Samuel Tembo	Acting SaveNet Coordinator Plan International	I	11:00hrs	Kabulonga
	Ms. Tea Tihounova	Head of Mission in Zambia			
20/10/2016	Ms. Martina Havlikova	Head of Programmes	I	14.30	DBZ

	<b>Development Bank of Zambia</b>  Mr. Jacob Lushinga  Mrs. Mavis Chaile Mr. Addie Liempe Mrs. Carol Mwila	Managing Director, Development Bank of Zambia  Agriculture Manager Chief Risk Officer Head Treasury		14.30 “ “ “	Offices Katunjila Road  "
21/10/16 Friday	<b>Vision Fund Zambia</b> Mr. Nkosilathi Moyo	Chief Executive Officer		08.30	Kabelenga Road
21/10/2016	<b>Programme Vetting Committee</b>  Mr. Mwikisa Likulunga  Mr. Mubiana Mutumba	Chairperson  Member	II  II	16.00  16.00	ICO
22/10/16 – 23/10/16 Weekend					
24/10/16 Monday - Public Holiday					
25/10/2016	<b>World Bank</b>  Mr. Brian Mtonya  <b>Ministry of Finance</b>  Mr. Mukuli Chikuba  Ms. Nchimunya Shatontola	PVT Development Specialist  Director, Economic Management Department Economist – IDMD, GI	I-III  I-III	09:30hrs  08:30 hrs.	Church Road  Chimanga Road
26/10/2016	<b>Bank of Zambia</b>  <b>Ministry of Agriculture</b>  Mrs. Kezya Katyamba	Joseph Munyoro Assistant Director, NBF  Director, Agribusiness / PSC	I-III  I-III	08:30  10:30 hrs.	BoZ Office  Mulungushi House

27/10/16 Thursday	<b>Financial Sector Deepening Zambia</b>  Ms. Betty Wilkinson  Guy Vanmeenen	Chief Executive Officer, FSDZ  Head - Rural & Household Finance, FSDZ	III  III	07:00hrs	Inchito II 377A, Kabulonga Road
	<b>Ministry of Finance PSC</b>  Mr. Thomas Phiri  <b>Keeper Zambia Foundation</b>  Mr. John Msimuko	Chief Accountant / PSC  Chief Executive Officer	I-III  II	11.00  14.30	MoF, Chimanaga Road  Luwato Road, Roma
	Individual meetings with PCO  Follow up meetings	TBA		TBA	RUFEP, Thabo Mbeki Road
26/10/16 Wednesday	Report Writing	IFAD Team			IFAD Office
27/10/16 Thursday	Report Writing	IFAD Team			IFAD Office
28/10/16 Friday	Report Writing	IFAD Team			IFAD Office
<b>29/10/16 – 30/10/16 Weekend</b>					
31/10/16 Monday	Debrief Aide Memoire with RUFEP team	Mission Team	I-III	14.30	RUFEP, Thabo Mbeki Road
01/11/16 Tuesday	Submission of Aide Memoire to MoF and other partners	Mission Team/ Programme Coordinator/ICO	I-III	08.00	RUFEP, Thabo Mbeki Road
02/11/16 Wednesday	Aide Memoire Signing  Mrs. Pamela Kabamba  Ms Abba Benhammouche	Permanent Secretary – MoF BEA IFAD Country Director	I-III	08.00	MoF

BEA - Budget and Economic Affairs  
BoZ - Bank of Zambia  
NBF - Non Bank Financial Institutions Department  
IDMD - Investment and Debt Management Department  
RFU - Rural Finance Unit  
MoF - Ministry of Finance