

Republic of Zambia

Rural Finance Expansion Programme

Supervision report

Main report and appendices

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Abbreviations and acronyms

AWPB	Annual Work Plan and Budget
BoZ	Bank of Zambia
CBFI	Community Based Financial Institution
DBZ	Development Bank of Zambia
EOI	Expression of Interest
FSPs	Financial Service Providers
GRZ	Government of the Republic of Zambia
ICO	IFAD Country Office
IDMD	Investment and Debt Management Department
IFAD	International Fund for Agricultural Development
IFMIS	Integrated Financial Management Information System
IOF	Innovation and Outreach Facility
KM&T	Knowledge Management and Technical Support
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 Enterprises
PCO	Programme Coordination Office
PVC	Programme Vetting Committee
PSC	Programme Steering Committee
RIMS	Results and Impact Management System

A. Introduction¹

1. The 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, Participating Institutions contribution of USD 3.29 million and GRZ's 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 first supervision mission took place from 28 September to 9 October 2015, while this second supervision mission was fielded from 28 April to 10 May 2016. The objectives of the second 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 PCO, to manage activities towards achieving objectives, sustainability and impact as part of their normal management responsibilities; (iii) review the fiduciary aspects of the project and whether they comply with Financing Agreement covenants and government regulations; (iv) review the appropriateness of project implementation modalities (staffing, PIM, audit, procurement, financial management etc.) and (v) 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 delays is attributed to the protracted process of fulfilling the seven conditions precedent to IFAD funds withdrawals². Discussions with PCO, government's officials and RUFEP's strategic partners, were held in order to review progress, share ideas for improvement of operations, to chart ways to kick start the programme and to pave the way to effectiveness and efficiency. An initial working session, was held on 28 April 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.

4. The Aide Memoire was discussed and agreed in a wrap-up meeting held on 19th May 2016, chaired by Ms Pamela C. Kabamba, MoF Permanent Secretary-BEA, and attended by representatives of key stakeholders. The final Aide Memoire was subsequently signed by Ms Kabamba for GRZ- MoF, and Ms Benhammouche, the IFAD Country Director for Zambia. The Mission would like to express to GRZ its appreciation for the support received and for the constructive contributions to the Mission's work.

B. Overall assessment of programme implementation

5. Overall, RUFEP implementation has been progressively picking up pace as management's system and procedures were put in place. The delays were attributed to the process of fulfilling the

¹ Mission Composition: The Mission was led by Ms Abila Benhammouche, IFAD 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 John Harivero Ramamonjisoa (Financial Management Specialist) / and Mr Waseem Khan (Procurement Specialist).

² 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).

disbursement conditions. The mission appreciates efforts made by RUFEP's management, in ensuring a smooth and solid basis for implementation, in a context where the three inter related programme components i.e. Strategic Partnerships, Innovation and Outreach Facility and Programme Implementation, require a strong programme management leadership and a strong effective coordination, conducive to efficient programme's service delivery to the expected beneficiaries. This is in line with Rural Finance Projects where the initial establishment of systems and building of strong partnerships with Implementing Partners is critical in order to build a solid foundation for programme implementation. It is therefore expected that disbursements rate will be low at this stage.

6. To date the PCO's management made good progress in the setup of operational PCO, with adequate office accommodation. The PCO is fully equipped, with financial and procurement system in place. The staffing have been completed except the position of International Technical Advisor. The PCO is finalizing the interview of the final candidate by mid May 2016. In addition, the Rural Finance Unit was set up and MoF appointed the Chief Economist and Senior Economist from the Investment and Debt Management Department (IDMD) of MOF as Policy Advisor and Analyst respectively.

7. The programme carried out most of the planned preliminary activities, including: (i) the start-up workshop, to share the key information of the programme with stakeholders and implementing partners; and (ii) the preparation of two MOUs between the Ministry of Finance and the Bank of Zambia, and between the Ministry of Finance and the Development Bank of Zambia. Potential implementing partners have been requested to submit proposals for implementation of the Innovation and Outreach Facility. The PCO is at the same time preparing the launching of the base line survey and the setup of the programme monitoring and evaluation System. The selection of implementing partners is underway. The preparation for conducting an Impact Survey through a Randomized Control Trial (RCT) for the CBFI Linkages sub window has progressed well with holding of a workshop with potential partners to explain the RCT and appreciate the different roles for all the players. This is being conducted by the University of Mannheim and the International Initiative for Impact Evaluation (3ie) and IFAD. In addition, PCO's staff benefited from training on procurement, gender, nutrition, RIMs, M&E, intelligence reporting and project management.

8. Notwithstanding these achievements, RUFEP needs to be more proactive to ensure that fully-fledged activities are launched in the field with Financial Service Providers and strategic partners to accelerate programme implementation. The overall financial execution of the first fifteen-month AWPB 2015/2016 stands at 13% (USD 387 439 out of a plan of USD 2.984 million). The disbursement rate for IFAD's loan stands at 7.65% and the disbursement rate for the Spanish Fund reached 9.15%, representing the initial advance to the designated accounts. There is a need to intensify programme implementation. The MOUs with BoZ, DBZ, AMIZ, SaveNET and other contract agreements and grant recipients to be selected, are the critical elements to speed up programme implementation which will uplift the disbursement's profile, as well as, efficiency and effectiveness of the programme.

9. To accelerate further the programme implementation and ensure fulfilment of programme objectives the following actions are recommended: (i) The PCO should give priority and more attention to MOU's effectiveness.; (ii) The PCO should expedite the review of the detailed proposals for the 4 projects which were selected and expedite their implementation ; (iii) The IFAD's Country Office, should take the lead to ensure that the RFU is well positioned to carry out effectively its mandate, separately or within the new Financial Policy Unit, under Economic Management Department ; (iv) 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 ; (v) expedite the preparation and the launching of the baseline survey, and ensure the setup of effective and evolving simple M&E system.

Agreed action	Responsibility	Agreed date
The PCO should give priority and more attention to MOU's effectiveness with BoZ, DBZ, AMIZ, SaveNET and other contract agreements and grant recipients.	PCO	Before the end of July 2016
The PCO should expedite the review of the detailed proposals for the 4 projects which were selected and expedite their implementation	PCO in collaboration with external reviewers and the vetting committee	Before the end of July 2016
The IFAD's Country Office, to take the lead to ensure that the RFU is well positioned to carry out effectively its mandate, separately or within the new Financial Policy Unit, under Economic Management Department	RFU and IFAD's Country Office	August 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	August 2016
Expedite the preparation and the launching of the Base Line Survey	PCO	September 2016
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	October 2016

C. Outputs and outcomes

10. Programme performance in terms of achieving outputs and outcomes is rated moderately satisfactory (4). Concerning the outcomes of RUFEP, the implementation period, is rather short to analyse outcomes that benefit the target group. 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 April 2016.

11. RUFEP works at three levels of the rural financial market i.e. at the micro level, to stimulate demand-driven products and services in order to acknowledge the productive and economic potential of poor rural people; at the meso level, the Programme intends to develop efficient support 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 implementation structure.

12. **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 Apex bodies of the various financial sector players (Banks, MFIs and CBFIs).

13. **Planned activities for October 2015- December 2016**

- a. **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.

- b. **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.

- c. **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.

- d. **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.

- e. **SaveNET.** Apex for CBFIs promoters. Responsible for facilitating the scaling up of a standardized CBFIs 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 CBFis 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 CBFis, FSPs and VCDs.

14. During the period under consideration (October 2015-December 2016, being the inaugural implementation period of the Programme), 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). Most of the activities planned, were not achieved. The MOU between the Ministry of Finance and the Bank of Zambia was cleared by the Ministry of Justice in November 2015 and is not yet signed by the two parties. The other MOU between the Ministry of Finance and Development Bank of Zambia was submitted for clearance to the Ministry of Justice on 24 February 2016 and is not yet signed. The delays in setting up the planned framework under the MOU's has a negative impact in launching the set of planned activities of the 2015-2016 AWPB. The PCO should give more attention to MOU's effectiveness and should be prepared to catch up on the delays before the end of this year.

15. The creation of a RFU within the MoF to implement The Rural Finance Policy and Strategy has been approved by cabinet and is currently supported by RUFEP, to increase its capacity to develop and review appropriate rural financial policies, guidelines and frameworks that will catalyze sustainable and inclusive growth of the rural financial sector. The MoF appointed the Chief Economist and Senior Economist from the Investment and Debt Management Department (IDMD) as Policy Advisor and Analyst respectively in February 2016. Although the MoF has appointed staff to the Rural Finance Unit as Advisor and Policy Analyst the implementation of activities has not started due to the fact that the two staff are also fully involved with the Government Investments portfolio and not full time staff of the RFU.

16. The mission considers that part time Government staff with ongoing responsibilities cannot dedicate adequate time to the RFU, because the staff does not have their work load reduced to take on extra tasks expected from them by the programme. Therefore, the mission recommends that an adequate core staff should be put in place within RFU and should be assigned on a fulltime basis.

17. The MoF has also embarked on a process to develop a National Financial Inclusion Policy Strategy (NFIS) for Zambia with the support of the World Bank through the Financial Inclusion Support Framework. The Rural Finance Policy and Strategy will be a sub set of the NFIS. This task is being coordinated by the Economic Management Department within the MoF. In order to carry out this task the Economic Management Department is in the process of setting up a Financial Policies Unit with full time staff. RUFEP has initiated consultations with the Economic Management Department and are encouraged to continue the dialogue together with the Investment and Debt Management Department to ensure effective use of the resources available to the sector.

18. The Mission notes however that, the establishment of the Financial Policy Unit under the EMD brings into question as to whether RUFEP should support the establishment of the Rural Finance Unit under IDMD, which is staffed with only part-time personnel. Unless this issue is addressed, RUFEP

will continue to experience delays with the effective set up of the RFU and therefore the launching of the activities planned under RFU. The mission recommends urgently, the support of the IFAD's Country Office, to take the lead to ensure that the RFU is well positioned to carry out effectively its mandate, separately or within the new Financial Policy Unit.

19. As an entry point, RUFEP and RFU should work closely with the National Financial Inclusion Strategy Drafting Committee to initiate a national dialogue on the different options accessible to Zambia to advance the rural financial inclusion front. This forum was already planned under sub-component 3.1 Knowledge Management. The three financial sector regulators (Bank of Zambia, Pensions and Insurance Authority and Securities and Exchange Commission) are planning to organise similar workshops in preparation for the development of a Financial Inclusion Strategy for Zambia. RUFEP and RFU should take advantage of this opportunity and ensure inclusion of the rural finance agenda. Elements of this national dialogue could comprise: a review of the contributions of the different types of financial institutions to economic development and financial inclusion; a review of the prevailing laws and regulations and their impact on equitable development, financial inclusion and other relevant parameters. The outcomes of the process should be a much higher awareness among decision makers about the relevance of current policies and programmes, a clear and rational notion on how best to advance on the rural finance and inclusion agenda. This will place RUFEP in a better position to determine how best to fit with the National Financial Inclusion Strategy (NFIS) and build on the emerging alliances. RUFEP should prepare a concept note on the national dialogue to advance the rural financial inclusion front and organise or co-finance the conference accordingly.

20. **Capacity Building.** Recognizing that the capacity of implementing partners, to provide services (financial and non-financial) that meet the demands of small farmers is critical, RUFEP envisages significant capacity building activities. Therefore, the partnership with AMIZ and SaveNet is pivotal in preparing a comprehensive and coherent capacity development plan, based on thorough analysis of needs and gaps assessment conducted by the partners.

21. The mission notes that consultations between RUFEP and SaveNET have advanced and recommend that more attention be put into finalizing the MOU. On the contrary little progress has been made in finalizing the MOU with AMIZ because of current challenges being experienced by the latter. The Mission recommends that the Memorandum of Understanding is signed as soon as the governance issues are resolved.

22. Considering that it is not known how long AMIZ will take to resolve its issues RUFEP should explore other alternatives to ensure that the capacity building for MFIs commences. The International Labour Organization (ILO) through its International Training Centre (ITC) working with the Social Finance Programme have developed the Making Microfinance Work (MMW) management training programme. The MMW capacity building and training program is based on two publications: Making Microfinance Work: i). Managing for Improved Performance and ii). Managing Product Diversification. The publications and training curricula draw from experiences and techniques of microfinance service providers worldwide. The training activities are delivered locally by ITC ILO certified trainers and supplemented by additional exercises, tools and case studies adapted to local context.

23. At the same time the mission recommends that RUFEP supports the re-organization of AMIZ by i) exposing it to best practise of other apex organisations ii) providing support to staff and iii) Providing support for other operational expenses. This will enable AMIZ to take up its position as a strategic market intelligence leader on issues of microfinance and rural finance.

24. In line with the Strategic Partnership development Framework RUFEP should consider entering into Performance Agreements with ITC ILO certified trainers in Zambia and the region to start the capacity building of MFIs.

25. **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.

26. **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.

27. **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 NBF) and Zambia Information Communication Technology Agency (ZICTA)

Agency:

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

28. **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.

29. During the period under consideration (October 2015-December 2016, being the inaugural implementation period of the Programme), preliminary support was planned to be provided to major strategic partners under the 3 windows. Most of the activities planned, were not achieved. The Expression of Interest (EOI) for potential partners to implement the innovation and outreach matching grant facility was advertised in January 2016. It includes the eligibility criteria, with the required matching ratio. A short list of nine (9) projects including Churches Health Association of Zambia, Rural Economic Expansion Services Ltd, Keepers Zambia Foundation, Pan African Building Society, Kasama Christian Community Care, Catholic Relief Services, Vision Fund Zambia, Zambia National Building Society, AB Bank Zambia and Zambia National Building Society, has been done for the IOF 3 windows and they were requested to provide detailed proposals.

30. Only 4 proposals were received in April 2016. They have to be reviewed by the external evaluators and then they will go through the vetting committee. By July 2016, the different agreements are planned to be effective. RUFEP also advertised for Expression of Interest for External Evaluators and 9 External Evaluators (3 for CBF Linkages window, 2 for Agency and mobile banking window and 4 for the Rural Finance Equity and Innovation window) were accredited by the Internal Review Committee (IRC). Disbursements are noted only for advertisements for two activities namely Call for proposals and Call for individual consultants to be accredited as External Reviewers under the IOF matching grant facility.

31. Below is a table representing the steps achieved and overall process management for Innovation and Outreach Matching Grant component. Once the RUFEP website is up and running, applicants will be required to submit concept notes continuously without a closing date. The IRC will be reviewing the concept notes on a regular basis e.g. monthly, bi-monthly, etc. depending on the volume of applications.

S/N	STAGE	STATUS
1	First call for concept notes	6 th January 2016, the advert closed on 3 rd 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	3 rd February 2016, closed on 22 nd April 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)	Not yet

***Note that the estimated time from stage 1 – 12 is between 4 to 6 months**

32. The mission urges the PCO to carry out the planned activities, and initiate consultations and negotiations to sign different agreements.

Agreed action The PCO should give more attention to MOU's effectiveness and should be prepared to catch up on the delays before the end of this year.	Responsibility PCO	Agreed date Continuous
RFU: The mission considers that part time Government staff with ongoing responsibilities cannot dedicate adequate time to the RFU, because the staff does not have their work load reduced to take on extra tasks expected from them by the programme. Therefore, the mission recommends that an	PCO and IFAD's Country Office	June-July 2016

adequate core staff should be put in place within RFU and should be fulltime available to the RFU. The mission recommends urgently, the support of the IFAD's Country Office, to take the lead to ensure that the RFU is well positioned to carry out effectively its mandate, separately or within the new Financial Policy Unit. As entry point, RUFEP and RFU should promptly initiate a national dialogue on the different options accessible to Zambia to advance the rural financial inclusion front.		
RUFEP should prepare a concept note on the national dialogue to advance the rural financial inclusion front and organise the conference accordingly.	PCO	June 2016
In line with the Strategic Partnership development Framework RUFEP should consider entering into Performance Agreements with ITC ILO certified trainers in Zambia and the region to start the capacity building of MFIs.	PCO and IFAD's Country Office	ASAP before end of June 2016
AMIZ: Support the reorganisation of AMIZ	PCO	July 2016

D. Programme implementation progress

33. **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 their 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 sectorial 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.

34. Knowledge management and communication will be embedded into Programme implementation. For this, RUFEP will use a number of fora, including building on RFP review meetings between implementing partners and SPs at all levels. Similarly, such knowledge sharing forums will be embedded within all its components as required to share good practices supported by RUFEP. In addition, in order to ensure integration between Programme components, it will be necessary to promote participation of actors in rural financial inclusion in review meetings. Beyond RUFEP components, the participation of actors in value chain development and implementation from SAPP, S3P and E-SLIP and their implementation partners is also considered. This knowledge shared at these foras will be cardinal in entrenching the country portfolio alignment contained in the Portfolio Alignment Report whose recommendations are important to enhance implementation effectiveness and efficiency of all Programmes in the portfolio. 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 shall help implementing partners, identify what could be considered as 'innovative' and be shared in knowledge sharing fora

35. **Sub-Component 3.1: Knowledge.** 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 maintain 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.

36. **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.

37. The PCO's management made good progress in the setup of operational PCO, with adequate office accommodation. The PCO is fully equipped, with financial and procurement system in place and is fully staffed, except for the International Technical Advisor. The recruitment process is almost completed. In addition, the Rural Finance Unit was set up and MoF appointed the Chief Economist and

Senior Economist from the Investment and Debt Management Department (IDMD) of MOF as Policy Advisor and Analyst respectively. The first Programme Steering Committee meeting was held in December 2015 at which various issues were discussed including the 2015-2016 Annual Work Plan and Budget, which was approved.

38. The programme carried out most of the planned preliminary activities, including: (i) the start-up workshop, to share the key information of the programme with stakeholders and implementing partners; and (ii) the preparation 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. Potential implementing partners have been requested to submit proposals for implementation of the Innovation and Outreach Facility. The PCO is at the same time preparing the launching of the base line survey and the setup of the M&E system. The selection of implementing partners is yet to be finalized. In addition, PCO's staff benefited from training on procurement, gender, nutrition, RIMs, M&E, intelligence reporting and project management.

39. Notwithstanding these achievements, RUFEP needs to be pro-active. The Mission is of the view that in order to meet the targets set in the 2015-2016 AWPB, proactive planning and stepping up of the implementation pace for the remainder of the Programme Year will be essential. In order to fast-track programme implementation, especially given the delays of about 15 months, the mission identified with PCO, three priority actions that could drive to enhanced programme performance until the end of this year 2016.

- (a) The PCO should give priority and more attention to MOU's effectiveness. The MOUs needs to be signed before any funds can be released and disbursed.
- (b) The PCO should expedite the review of the detailed proposals for the 4 projects which were selected and expedite their implementation. The PCO should finalize the performance-based partnership agreement for the 4 projects and initiate consultations and negotiations to sign the agreements, before launching the activities in the field.
- (c) The MoF went under restructuring, following the creation of the Ministry of National Development and Planning (MDP). However, RUFEP is still reporting to the Investment & Debt Management, (IDM) which remains under MoF. The Economic and Management Department remains also under MoF and has been given the responsibility to manage the World Bank Financial Inclusion Support Framework project with the objective to prepare the National Financial Inclusion Strategy (NFIS) for Zambia. A Financial Policy Unit, to spearhead national financial inclusion in Zambia, under the Economic and Management Department is planned to be set up with full time staff. The Drafting Committee called National Financial Inclusion Strategy Drafting Committee (NFISDC), has been established by the MoF and is chaired by MoF with BoZ as vice chair. The NFISDC is empowered to consult extensively with all stakeholders, throughout the NFIS draft process, which includes also a workshop to get buy-in and detailed feedback.

40. RUFEP should consider through its membership with the NFISDC, to hold consultations with IDM and EMD Departments on the RFU's articulation with the envisaged Financial Policy Unit. In this case, the Rural Finance Policy and Strategy will be a sub set of the NFIS. Therefore, the establishment of the Financial Policy Unit under EMD, brings into question as to whether RUFEP should support the establishment of the Rural Finance Unit, which is staffed with only part-time personnel. Unless this issue is addressed, RUFEP will continue to experience delays with the effective set up of the RFU and therefore the launching of the activities planned under RFU.

41. The mission recommends urgently, the support of the IFAD's Country Office, to take the lead to ensure that the RFU is well positioned to carry out effectively its mandate, separately or within the new Financial Policy Unit.

42. Concerning PCO's enhanced efficiency, effectiveness and management performance in general, the mission took stock of progress made and makes the following recommendations:

43. **PIM:** The PCO should finalize the PIM, which should include detailed guidelines to drive the implementation of each component.

44. **Base line survey, Planning, Monitoring & Evaluation.** For the base line survey the evaluation of, 2016 Expressions of Interest (EOIs) was done on 30th March, 2016. The evaluation report was approved by Ministry Procurement Committee on 20th April 2016. RUFEP now awaits a "No Objection" from IFAD to the evaluation report, shortlisted consultants and the Request for Proposal (RfP) document. The base line survey is planned to be launched in September 2016.

45. **PM&E System:** The process for setting up the PM&E System is still work in progress. The PCO has an M&E Specialist. The PM&E System and database will retain relevant features from RFP PM&E System and customise them to suit RUFEP requirements. The mission noted the progress made so far to set up the M&E system. Arcadia Associates Limited (the firm that designed the Rural Finance Programme M&E System was selected). The latter submitted the technical and financial proposals in April 2016. The TORs for Arcadia Associates include the requirement to develop simple, practical and cost effective M&E system which will allow for tracking outputs, establish outcomes and impact, measure programme performance and manage knowledge and learning arising from the interventions supported by the Programme. The consultant will work closely with programme management, including implementing partners and primary stakeholders.

46. The mission underlined the need for the PCO to give high priority to M&E functions and take steps to address issues of data collection, analysis and reporting in implementing RUFEP. As much as possible, RUFEP is encouraged to involve its key stakeholders in order to strengthen ownership towards the achievement of the Programme goal and objective.

47. RUFEP has developed a Monitoring and Evaluation (M&E) Plan which is a communication tool in the Programme that outlines various roles and responsibilities regarding monitoring and evaluation for RUFEP, the Implementing Partners and relevant Strategic Partners such as the Bank of Zambia (BOZ), Development Bank of Zambia (DBZ), Association of Microfinance Institutions of Zambia and SaveNET. The Plan provides a roadmap on how M&E will be conducted over the entire programme period, providing M&E activities and indicative timelines. The Monitoring and Evaluation Plan is developed in line with the Government of the Republic of Zambia's (GRZ) Rural Finance Policy and Strategy (RFPS) as well as IFAD's Country Strategic Opportunities Programme (COSOP). The Plan will also draw lessons from the monitoring and evaluation techniques undertaken during implementation of the Rural Finance Programme (RFP).

48. **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. However, two reports on two mandatory anchor indicators (household asset ownership and child malnutrition) will require undertaking a baseline survey on which to base the impact of the Programme, mid-term and completion levels. RUFEP will rely on the Child malnutrition population based surveys from the Central Statistical Office for the later.

49. **TORs and BTOs.** PCO should institute the validation of project staff TORs before any mission in the field or outside the country and also establish rules for mandatory Back To office Report (BTO), which should highlight the proceeding of the mission and the main outcome of the mission. Furthermore, as it is done in many IFAD's projects, PCO should initiate Client Satisfaction Surveys,

that could be instrumental in drawing lessons for the way forward.

50. **PCO Training.** Implementation of Programme activities under components 1 and 2 will largely rest with selected partner institutions and grant recipients, governed by partnership agreements, MOUs and grant agreement. Hence, it is critical at PCO level, to enhance strategic planning and coordination. Therefore, the mission recommends that key professional staff should strengthen team work culture, through training that will cover aspects of team building, leadership skills, matrix organization and communication. IFAD has developed a module for this type of training and could be adapted to RUFEP.

51. **Annual review and planning workshop** should be organized 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.

52. **Ownership of the programme** is critical for the success and sustainability of RUFEP. The mission recommends a process to build the ownership. The first step should be a strong ownership by the PCO staff on challenges, programme objectives, implementation approach, targeting strategy, complementarity, synergy and alignment with IFAD portfolio, 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.

53. As outlined below significant progress has been made in the recruitment of PCO staff. The mission recommends that the PCO should hold comprehensive consultations with a view of preparing a strategic enabling framework for capacity building at various levels from borrowers, implementing partner's staff, rural finance Unit staff and PCO staff. This will assist in the establishment of a participatory mechanism for improved understanding of the programme objectives, implementation approach and targeting strategy for each component by all programme stakeholders. Thereafter the Programme Coordinator should ensure that all new PCO staff are properly oriented and briefed on the programme challenges.

54. The PCO should plan for a training needs assessment, identify training priority areas, identify training partners, the planning, costs, budget, number of trainees, expected outputs and outcomes and feedback mechanism through annual training evaluation. The PCO should also document efficiency and effectiveness of all training courses (BoZ, RFU, DBZ and IPs, PCO staff members).

55. Other training modalities such as the learning routes and exchange visits, utilization of websites, videos and brochures on the training subjects should be added. The IFAD Country Officer may assist in establishing contact to organizations such as the ILO and CGAP who have training modules for market development and inclusive rural finance. The training programme should be conducted at the earliest convenience, in particular at the implementing partner levels since capacity building at this level is the prerequisite for achieving the project's scaling up strategy.

56. **Partnership management.** Implementation of Programme activities under components 1 and 2 will largely rest with selected partner institutions and grant recipients, governed by a partnership agreement, MOUs and grant agreements. Therefore, it is critical for the PCO, to provide a result based management framework to ensure quality of services and mechanism to monitor and evaluate annually, the IPs performance.

57. **Collaboration with other IFAD-supported Projects.** To increase its visibility and outreach, RUFEP needs to identify areas of complementarity between the different IFAD supported projects and how such complementarity needs to be exploited to enhance the overall impact of IFAD's portfolio in

Zambia. The mission recommends for the next AWPB by which time RUFEP would have identified its implementing partners, to hold IFAD's portfolio joint programming to identify the complementarities that will enhance effectiveness, efficiency and impact of the respective Programmes and therefore, the overall Country Programme.

58. Synergy and Complementarity with major technical and financial partners. Maintaining dialogue with various parties and proactively exploring opportunities for linkages will be one of the important tasks for the PCO. Currently the programme has initiated consultations with the DFID supported Financial Sector Deepening Zambia (FSDZ) and the World Bank Financial Inclusion Support Framework project (FISF) and the mission urges RUFEP to conclude the same and ensure a coordinated relationship. Further efforts should be made to engage with the private sector development activities and projects especially in the areas of credit line and technical assistance to banks and MFIs for SME lending.

59. Country Portfolio Alignment – RUFEP learnt about the efforts made under RFP in establishing synergies and partnerships with other actors for its farmer groups who had limited business skills to enable them increase income generation. Alignment in the RUFEP PDR is limited to advancing policy dialogue with government and harmonisation and alignment with government systems through the Agricultural Cooperating Partners.

60. The potential for alignment of RUFEP interventions with other IFAD supported programmes is real but implementation of the concept has a number of challenges to be addressed namely: Although preliminary discussions were held with MoF, MFL and MoA, the Country Portfolio Alignment concept has not been internalized. Therefore, for the country portfolio alignment to be implemented, the mission recommends the following actions to be taken:

61. ICO should thoroughly discuss the portfolio alignment concept and framework with ministries of Finance, Agriculture and Fisheries and Livestock and ensure their commitments. The best way to implement the initiative would be on a pilot basis and incrementally building on its successes over time;

62. Given the different mandates of Programmes, selected priority activities for alignment need to be identified and jointly planned and implemented. An M&E thematic working group should be reactivated to address implementation modalities from planning, implementation and monitoring. It would also prepare a joint plan for KM and innovation and learning activities.

63. RUFEP should involve IFAD supported programmes for its 2017 AWPB preparations and looks forward to be part of the preparations of AWPBs 2017 for SAPP, S3P and E-SLIP, on selected activities.

Agreed action	Responsibility	Agreed date
MOUs. The PCO should give priority and more attention to MOU's effectiveness with BoZ, DBZ, AMIZ, SaveNET and other contract agreements and grant recipients.	PCO	Before the end of July 2016

Agreed action	Responsibility	Agreed date
IOF Proposals. The PCO should expedite the review of the detailed proposals for the 4 projects which were selected and expedite their implementation	PCO in collaboration with external reviewers and the vetting committee	Before the end of July 2016
RFU. The IFAD's Country Office, to take the lead to ensure that the RFU is well positioned to carry out effectively its mandate, separately or within the new Financial Policy Unit, under Economic Management Department	RFU and IFAD's Country Office	August 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	August 2016
Baseline Survey. Expedite the preparation and the launching of the Base Line Survey.	PCO	August 2016
PME System. 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	October 2016
PCO training. The mission recommends that key professional staff should strengthen team work culture, through training that will cover aspects of team building, leadership skills, matrix organization and communication.	PCO	September 2016
TORs and BTOs. PCO should institute the validation of project staff TORs before any mission in the field or outside the country and also establish rules for mandatory Back To office Report (BTO), which should highlight the proceeding of the mission and the main outcome of the mission. Furthermore, as it is done in many IFAD's projects, PCO should initiate Client Satisfaction Surveys, that could be instrumental in drawing lessons for the way forward.	PCO	Continuous
Ownership of the programme. The mission recommends that the PCO should hold comprehensive consultations with a view of preparing a strategic enabling framework for capacity building at various levels from borrowers, implementing partner's staff, rural finance Unit staff and PCO staff. This will assist in the establishment of a participatory mechanism for improved understanding of the programme objectives, implementation approach and targeting strategy for each component by all programme stakeholders. Thereafter the Programme Coordinator should ensure that all new PCO staff are properly oriented and briefed on the programme challenges. The PCO should plan for a training needs assessment, identify training priority areas, identify training partners, the planning, costs, budget, number of trainees, expected outputs and outcomes and feedback mechanism through annual training evaluation. The PCO should also document efficiency and effectiveness of all training courses (BoZ, RFU, DBZ and IPs, PCO staff members).	PCO	August 2016
AWPB Workshop. Annual review and planning workshop should be organized 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.	PCO	August 2016
Partnership management. It is critical for the PCO, to provide a result based management framework to ensure quality of services and mechanism to monitor and evaluate annually, the IPs performance.	PCO	Continuous
Country Portfolio Alignment –	PCO	2016

<p>ICO should thoroughly discuss the portfolio alignment concept and framework with ministries of Finance, Agriculture and Fisheries and Livestock and ensure their commitments. The best way to implement the initiative would be on a pilot basis and incrementally building on its successes over time;</p> <p>Given the different mandates of Programmes, selected priority activities for alignment need to be identified and jointly planned and implemented. An M&E thematic working group should be reactivated to address implementation modalities from planning, implementation and monitoring. It would also prepare a joint plan for KM and innovation and learning activities.</p> <p>RUFEP should involve IFAD supported programmes for its 2017 AWPB preparations and looks forward to be part of the preparations of AWPBs 2017 for SAPP, S3P and E-SLIP, on selected activities.</p>	PCO	October 2016
<p>Synergy and Complementarity with major technical and financial partners. Maintaining dialogue with various parties and proactively exploring opportunities for linkages will be one of the important tasks for the PCO.</p>	PCO	September 2016

E. Fiduciary aspects

64. **Financial Management.** The FM Unit is composed of a Financial Controller (FC) hired in September 2015 and an Assistant Accountant (AA) recently recruited in May 2016. The Financing agreement was signed in July 2014. Most of the recommendations of the last supervision mission have been implemented: The chart of accounts has been fully completed, two withdrawal applications were processed for an amount of USD 1.2 million, SAPP advance to RUFEP has been reimbursed and Internal Audit has been carried out by the Internal Auditor of MoF on a monthly basis.

65. **Programme Implementation Manual (PIM).** The mission noted that the PIM was under preparation. The Draft Financial Management Manual that will be part of the PIM, is undergoing preparation by the Financial Controller and the draft was shared with the mission. The mission supported the PCO to finalize and validate the chart of accounts and formats for the reporting requirements by IFAD and the Government. However, the mission recommends, to incorporate sample of Financial Statement, Charts of Accounts, Contract Register, Procurement Plan, Contract management, and Asset register in the Financial Manual.

66. **IFAD loan disbursement.** As of, end March 2016, the disbursement rate under IFAD 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.

67. **Spanish Trust Fund disbursement.** The disbursement rate under the Spanish Trust Fund stands at 9.15% representing the initial deposit. The first disbursement of USD 900 000 representing the initial deposit was made in December 2015.

68. **Counterpart funds.** 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, representing the foregone taxes.

69. **Execution of the AWPB 2015/2016:** As of, 31st March 2016, the overall financial execution of

the first fifteen month AWPB 2015/2016 stands at 12.98% (USD 387 439 out of a budget of USD 2.984 million). This performance is rated moderately unsatisfactory. For each component, the financial execution rate is as follows: 4% for component 1: Strategic Partnerships, 2% for component 2: Innovation and Outreach Facility, and 24% for component 3: Knowledge Management & Program Implementation. To date, most of the activities planned in the 2015-2016 AWPB have not yet started, due to the underlying preparations that have to be undertaken before the MOUs and Partnership Agreements are executed.

70. **Withdrawal Applications.** Since the start of the programme 3 Withdrawal applications were processed for initial advances to the designated account. The fourth WA is under preparation and will be submitted to IFAD, by the end of May. For better cash flow management, the mission recommends presenting WA whenever the thresholds indicated in the letter to the borrower has reached 30% of the initial deposit or three months of activities.

71. **Statement of Expenditures review.** The mission verified most of the supporting documentation of expenditures of the Programme up to 31st March 2016. The mission reviewed 80% of SOEs and confirms that expenditures are properly supported and are eligible for IFAD and Spanish Trust Fund, in accordance with respective legal agreements.

72. **Reconciliation of the Designated Account.** As of 31st march 2016, RUFEP's bank statement reconciliation was presented in the table below: The reconciliation of the designated account was done correctly at 31st march 2016.

No.	Description	Value (USD)
A	PRESENT OUSTANDING AMOUNT ADVANCED TO THE DESIGNATED ACCOUNT	1 500 000,00
	First IFAD advance 2014 – 15 December 2014	300 000,00
	Second IFAD advance 2015 – 11 December 2015	300 000,00
	First Spanish Trust Fund advance - 11 December 2015	900 000,00
B	BALANCE OF DESIGNATED ACCOUNT	170 000,00
C	BALANCE OF THE PROGRAMME ACCOUNT	1 021 042,07
D	BALANCE OF CASH IN HAND	312,65
E	AMOUNT WITHDRAWN FROM THE DESIGNATED ACCOUNT AND NOT YET CLAIMED FOR REPLENISHMENT	366 323,82
F	TOTAL (B +C + D+ E)	1 557 678,53
G	DIFFERENCES (A – F)	-57 678,53
	COUNTERPART FINANCIAL RESOURCES OUTSTANDING FOR GRZ	-57 678,53
	BALANCE	-

73. **Accounting/Financial management Software.** The project uses the “cash basis” accounting method which recognizes revenues and expenses at the time physical cash is actually received or paid out. IPSAS requires that an entity shall disclose separately in the notes to the financial statements the balance of undrawn external assistance loans and grants available to fund future operations, committed under a written agreement(s) but not yet drawn. The Programme uses 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. The PCO is proficient in the use of the system, and it has a clear audit trail to the supporting documents in the form of payment vouchers. PCO staff are able to track and

report on flexible reporting cycles, such as actual expenditure by category/component/activity/financier as compared with the budget allocations. However, The Programme will need support from a Sage Evolution ERP Specialist to expand and update the software to extract information from the Sage Evolution General Ledger and use the customized report columns and rows 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 with CFS officer organised a session with all Financial Controllers (FCs) for the on-going IFAD Projects to address this specific issue. It was agreed that all the FCs will hold consultations to contract a TA who will provide the needed software support.

74. **Internal control/Internal audit.** As the programme is under the trusteeship of the Ministry of Finance, financial management procedures are established in line with national rules and requirements. There is a clear segregation of duties and control and approval procedures which are in place and effective. Since the last supervision mission, the Internal Audit was held regularly and vouchers have been cleared by Internal Auditors on a monthly basis. The mission noted an acceptable level of internal audit and control. The mission recommends to continue the current modalities of internal audit and request the internal auditor to *submit semi-annual reports*. The programme should monitor the status of recommendations made by the internal auditor.

Agreed actions	Responsibility	Agreed date
Finalize the PIM section on financial management, which should be submitted to the steering committee and IFAD's no objection	FC, PC	31 st December 2016
Engage Sage Evolution ERP Specialist to provide assistance to produce professional reports that suit stakeholder requirements including additional Fixed Asset Register and Procurement Modules.	FC	31 st July 2016

75. **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.

76. **Procurement.** Procurement delays have been experienced in the first year of the programme. No major procurement have been carried out during the report period. However, procurement planning for 2016 is in line with the Annual Work Plan and Budget for 2016 and Programme has been reporting of actual progress against the Procurement Plan.

77. The staffing have been completed except the position of International Technical Advisor, Programme is in process for finalizing the interview of the final candidate by mid of May 2016. he main activities under the Procurement Plan are the supply and delivery of PCO and RFU vehicles, hiring of consultant firm to design a Programme Monitoring and Evaluation System for RUFEP through Single Source and contracting a consulting firm for the Baseline Survey. All these procurements are work in progress.

78. The Mission advised the Procurement Specialist to formalize its contract management role so that timely submission of high quality outputs and deliverables can be ensured from each consulting assignment. 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 once the contracts are effective. The overall performance of the Procurement Unit is satisfactory.

Agreed action	Responsibility	Agreed date
The Programme should use the relevant templates/formats for reporting once the contracts are effective	Procurement Specialist	Immediately

79. **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 report shall be submitted to IFAD before the 30th June 2017.

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

F. Sustainability

80. Any substantive commentary on issues related to sustainability is limited due to the early stages of programme implementation. Recognizing that the capacity of FSPs to provide services (financial and non-financial) that meet the demands of farmers/ producers and SMEs is critical, the programme envisages significant capacity, a solid capacity development plan should be elaborated, based on thorough analysis of needs and gaps. When activity implementation starts, the PCO will be advised to emphasise sustainability in all interventions to be designed and implemented under the Programme. The ICO and the annual Supervision Missions will monitor implementation progress and assess any potential risks to sustainability and, accordingly, recommend remedial actions.

G. Conclusion

81. The supervision mission noted that there is profound interest in RUFEP's objectives and approach to inclusive rural finance. The programme's implementation needs to be sustained and leveraged for greater impact. It is therefore recommended that all the recommendations get acted on, timely and efficiently to deepen programme gains and create quick-wins for sustained beneficiaries' trust and belief in RUFEP Programme.

82. GRZ and IFAD have agreed to jointly hold the next Supervision/Implementation Support Mission in October 2016. 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

Country	Zambia			Project ID	1650	Loan/DSF Grant No.	2000000429
Project	Rural Finance Expansion Programme					Top-up Loan/DSF Grant	
Date of Update	10 May 2016						
Supervising Inst.	IFAD/IFAD						
No. of Supervisions	2	No. of Implementation Support/Follow-up missions	With the establishment of the ICO, implementation support/follow-up is a continuous process				
Last Supervision	October 2015	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	7.65
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	
Current closing	31-Mar-2023			External Co financing Total	12.0	
No. of extensions				Spanish Fund	12.0	9.15

A. Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	NA	4	1. Quality of project management	NA	4
2. Acceptable disbursement rate	NA	3	2. Performance of M&E	NA	4
3. Counterpart funds	NA	4	3. Coherence between AWPB & implementation	NA	4
4. Compliance with financing covenants	NA	4	4. Gender focus	NA	4
5. Compliance with procurement	NA	4	5. Poverty focus	NA	4
6. Quality and timeliness of audits	NA	4	6. Effectiveness of targeting approach	NA	4
			7. Innovation and learning	NA	4
			8. Climate and environment focus	NA	4
B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Component 1: Strategic Partnerships	NA	4	1. Institution building (organizations, etc.)	NA	4
2. Component 2: Innovation and Outreach Facility.	NA	4	2. Empowerment	NA	4
3. Component 3: Knowledge management and Programme implementation	NA	4	3. Quality of beneficiary participation	NA	4
			4. Responsiveness of service providers	NA	4
			5. Exit strategy (readiness and quality)	NA	NA
			6. Potential for scaling up and replication	NA	4
B.5 Justification of ratings: RUFEP implementation got off to a very slow start from the onset but has been progressively picking up pace as management's system and procedures were progressively put in place. The PCO's management made					

good progress in the setup of operational PCO, with adequate office accommodations. It is fully equipped, with financial and procurement system in place and is fully staffed, except the position of the International Finance Specialist. It is assumed, at this stage, that the different aspects of the Programme's implementation will proceed well and by the end of this year RUFEP will catch up on the implementation delays. For that reason, all ratings are put at '4' (moderately satisfactory). When activity implementation begins, the ratings will be adjusted, up or down, to reflect the situation on the ground. The exception, however, relates to the disbursement rate (B1.2) whose rating is moderately unsatisfactory '3' because the disbursement rate for IFAD's loan stands at 7.65% and the disbursement rate for the Spanish Fund reached 9.15%.

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 implementation progress (Sections B1 and B2)	NA	4
Rationale for implementation progress rating: 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
Rationale for development objectives rating: 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	Risks Short description of major risks for each section and their impact on achievement of development objectives and sustainability		
	Fiduciary aspects	At this early stage of RUFEP implementation, there are no risks foreseen from the financial management aspects. However, based on the previous RFP implementation experience, there are 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. However, the Programme has specific capacity building activities targeting MoF's PSU and the Ministry of Justice, to address those factors that contribute to delays; this is intended to enhance efficiency in RUFEP's procurement function.	
	Project implementation progress	The programme carried out most of the planned preliminary activities, including: (i) the start-up workshop, to share the key information of the programme with stakeholders and implementing partners; and (ii) the preparation 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. Potential implementing partners have been requested to submit proposals for implementation of the Innovation and Outreach Facility. The PCO is at the same time preparing the launching of the base line survey and the setup of the programme monitoring and evaluation System. The selection of implementing partners is yet to be finalized. In addition, PCO's staff benefited from various training on procurement, gender, nutrition, RIMs, M&E, intelligence reporting and project management.	
	Outputs and outcomes	Concerning the outcomes of RUFEP, the implementation period, is rather short to analyse outcomes that benefit the target group. During the period under consideration (October 2015-December 2016, being the inaugural implementation period of the Programme), preliminary support was planned to be provided to major strategic partners under the 3 windows. Most of the activities planned, were not achieve. The PCO is giving more attention to MOU's effectiveness and should be prepared to catch up on the delays before the end of this year.	
	Sustainability	It is too early to assess any risks associated with sustaining (or lack thereof) the different RUFEP interventions. However, the Programme design and implementation approach have in-built elements that would contribute to sustaining the different Programme interventions. When field activities will start, the PCO will be advised to emphasise sustainability in all interventions to be designed and implemented under the Programme. The ICO and the annual Supervision Missions will monitor implementation progress and assess any potential risks to sustainability and, accordingly, recommend remedial actions.	

C. Proposed Follow-up

Agreed actions	Responsibility	Agreed date
Programme Implementation. The PCO should give priority and more attention to MOU's effectiveness with BoZ, DBZ, AMIZ, SaveNet and other contract agreements and grant recipients.	RFU	Before the end of July 2016
The PCO should expedite the review of the detailed proposals for the 4 projects which were selected and expedite their implementation	RFU in collaboration with external reviewers and the vetting committee	Before the end of July 2016
The IFAD's Country Office, should provide support to ensure that the RFU is well positioned to carry out effectively its mandate, separately or within the new Financial Policy Unit, under Economic Management Department	RFU and IFAD's Country Office	August 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	RFU	August 2016
Expedite the preparation and the launching of the base line survey,	RFU	August 2016
Ensure the setup of effective and evolving simple M&E system.	RFU	October 2016
RUFEP should prepare a concept note on the national dialogue to advance the rural financial inclusion front and organise the conference accordingly.	PCO	June 2016
The mission urges the PCO to carry out the planned activities, to expedite the selection process of external evaluators, develop sample of performance-based Partnership Agreement and initiate consultations and negotiations to sign different agreements.	PCO	June 2016
PCO training. The mission recommends that key professional staff should strengthen team work culture, through training that will cover aspects of team building, leadership skills, matrix organization and communication.	PCO	September 2016
TORs and BTOs. PCO should ensure that project staff prepare TORs before any mission in the field or outside the country and also establish rules for mandatory Back To office Report (BTO), which should highlight the proceeding of the mission and the main outcome of the mission. Furthermore, as it is done in many IFAD's projects, PCO should initiate Client Satisfaction Surveys, that could be instrumental in drawing lessons for the way forward.	PCO	Continuous
Ownership of the programme. The Programme Coordinator should ensure that all PCO staff is properly oriented and briefed on the programme challenges. Thereafter, the PCO should establish a participatory mechanism for improved understanding of the programme objectives, implementation approach and targeting strategy for each component by all Programme stakeholders. The PCO should plan for training assessment, identify training priority areas, identify training partners, the planning, costs, budget, number of trainees, expected outputs and outcomes and feedback mechanism	PCO	August 2016

through annual training evaluation. The PCO should also document efficiency and effectiveness of all training courses (BoZ, RFU, DBZ and IPs, PCO staff members).

Annual review and planning workshop should be organized 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.	PCO	August 2016
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Partnership management. It is critical for the PCO, to provide a result based management framework to ensure quality of services and mechanism to monitor and evaluate annually, the IPs performance.	PCO	Continuous
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Collaboration with other IFAD-supported Projects. The mission recommends for the next AWPB, to hold IFAD's portfolio joint programming to identify the complementarities that will enhance effectiveness, efficiency and impact of the respective Programmes and therefore, the overall Country Programme.	PCO	October 2016
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Synergy and Complementarity with major technical and financial partners. Maintaining dialogue with various parties and proactively exploring opportunities for linkages will be one of the important tasks for the PCO.	PCO	September 2016
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Fiduciary aspects. Finalize the PIM section on financial management, which should be submitted to the steering committee and IFAD's no objection	FC, PC	December 2016
Expand and update the Pastel software, to include specific report requirements for IFAD.	FC	July 2016

Procurement. Programme should use the relevant templates/formats for the reporting	Procurement and Contracts Specialist	Immediately
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Audit. Submit internal auditor semi-annual reports and follow the status of recommendations	FC, Internal auditor	June/December
Undertake the audit of 2015/2016 exercise and send the audit report by 30 June 2017 at IFAD	FC, Auditor General	June 2017

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

Results Hierarchy	Objectively Verifiable Indicators (OVIs)	Means of Verification (MOV)	Assumptions/Risk
Overall Goal			
Contribute to Improved livelihoods of the rural poor through sustainable economic growth	<ul style="list-style-type: none"> ♦ 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. ♦ 5% reduction in the prevalence of child malnutrition rate from the 2010 GRZ baseline. 	<ul style="list-style-type: none"> ♦ Demographic and Health, Income and food security Surveys conducted by the Central Statistical Office (CSO) 	<ul style="list-style-type: none"> ♦ Stable political and economic environment
Programme Development Objective			
Increased access to and use of sustainable financial services by poor rural men, women and youth	<ul style="list-style-type: none"> ♦ 15% of rural households with improvement in access to sustainable financial services at programme completion ♦ 5% reduction in the prevalence of child malnutrition from the 2010 baseline 	<ul style="list-style-type: none"> ♦ FinScope Surveys ♦ Baseline and Impact assessment ♦ Health surveys by CSO 	<ul style="list-style-type: none"> ♦ Absence of external and internal economic shocks. No financial sector policy interference by GRZ
Component 1: Strategic Partnerships			
Outcome 1: Enhanced capacity of FSPs to deliver demand-driven services in rural areas	<ul style="list-style-type: none"> ♦ FSPs have improved profitability at or above operational self-sufficiency levels. ♦ 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. ♦ FSPs have improved portfolio at risk over 30 days to 5% or below; operational self-sufficiency >100%; operating expenses ratio to 25%. ♦ 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. 	<ul style="list-style-type: none"> ♦ Annual Audited Financial Statements of FSPs ♦ Mix Market and Mix Gold ♦ Mid-Term and End of Project Evaluation Reports 	<ul style="list-style-type: none"> ♦ Stable political and economic environment ♦ Reduced negative impact of HIV/AIDS and poor health status of poor households.

Output 1: A new framework for regulation and supervision of Agency banking/ Mobile banking is introduced and rolled out.	<ul style="list-style-type: none"> ♦ At least five Banks/FSPs are operating rural agent networks with at least 30 agency outlets in unbanked and banked rural areas. ♦ 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 	<ul style="list-style-type: none"> ♦ BoZ reports ♦ RUFEP M&E records 	<ul style="list-style-type: none"> ♦ BOZ willing to implement the innovative regulations ♦ GRZ committed to financial inclusion rural areas
Output 2: 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"> ♦ Operating manuals for the refinance facility approved by the DBZ Board of Directors ♦ At least 8 commercial banks and MFIs will have accessed LoC from DBZ by end of project period ♦ The 8 FSPs accessing LoC will have increased their agriculture portfolio by at least 10% ♦ DBZ will have disbursed to FSPs a minimum of amount equivalent to US \$ 6 million by the end of RUFEP. 	<ul style="list-style-type: none"> ♦ DBZ annual financial statements and reports ♦ RUFEP M&E records 	<ul style="list-style-type: none"> ♦ DBZ still willing to continue with LoC. ♦ GRZ willing to leave funds from RFP with DBZ.
Output 3: New CBFIs have been created and existing ones strengthened and operate sustainably – being monitored by SaveNet.	<ul style="list-style-type: none"> ♦ 1,500 newly formed CBFIs with 30,000 members and at least 1,000 existing ones composed of at least 20,000 members strengthened ♦ 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. ♦ 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 	<ul style="list-style-type: none"> ♦ Records of grant recipients ♦ RUFEP M&E records 	Sufficient capacity of the network of CBFI promoters

<p>Output 4: 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"> ♦ 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. ♦ RFU has taken lead and improved sector coordination, holding coordination meetings at least twice a year. ♦ 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. ♦ AMIZ/SaveNet organizing best practices quarterly courses for members on a cost share basis. ♦ AMIZ achieving at least 80% collection of dues and membership fees annually. ♦ SaveNet created and facilitating coordination of CBFi industry development and linkage to international best practices. ♦ AMIZ/SaveNet improved self-sufficiency 	<ul style="list-style-type: none"> ♦ RUFEP KM & Mission Reports ♦ GRZ Budget ♦ AMIZ records, SaveNet records 	<p>GRZ is willing and committed to rural finance inclusion and enabling environment</p>
<p>Output 5: 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"> ♦ 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) ♦ 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. 	<ul style="list-style-type: none"> ♦ AMIZ, SaveNet, Bankers Association and FSPs records on participants and topics ♦ RUFEP KM Reports ♦ Post-training satisfaction monitoring Reports 	

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

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

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

Table 3A: Financial performance by financier

Financier	Appraisal (USD '000)	Disbursements (USD '000)	Per cent disbursed
GRZ	2 612	21	1%
IFAD	8 416	18	0%
Spanish trust fund	11 988	349	3%
Participating institutions	3 298		0%
Total	26 314	387	1%

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

Component	GRZ			IFAD loan			Spanish trust fund Loan			Participating Institutions			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
Strategic Partnerships	1 743	3	0%	4 216	14	0%	3 989	21	1%	1 138		0%	11 086	38	0%
Innovation and Outreach Facility		2	na	4 200	4	0%	2 690	6	0%	2 160		0%	9 050	11	0%
Knowledge Management & Prog Implementation	869	17	2%				5 309	322	6%			0%	6 178	338	5%
Total	2 612	21	1%	8 416	18	0%	11 988	349	3%	3 298	-	0%	26 314	387	1%

Table 3C1: IFAD loan disbursements (SDR, as at 31st march 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 unallocated	550,000.00		215,518.79		- 215,518.79	0.00%
	Total	5,500,000.00		420,802.80		5,079,197.20	7.65%

Table 3C2: Spanish Fund loan disbursements (SDR, as at 31st march 2016)

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
III	Consultancies	3,000,000.00				3,000,000.00	0.00%
I	Equipment and materials	160,000.00				160,000.00	0.00%
IV	Grants and subsidies	1,800,000.00				1,800,000.00	0.00%
V	Operating costs	2,670,000.00				2,670,000.00	0.00%
II	Training	470,000.00				470,000.00	0.00%
	Authorised allocation unallocated	900,000.00		823,421.77		- 823,421.77	0.00%
	Total	9,000,000.00		823,421.77		8,176,578.23	9.15%

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 st 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
Schedule 1				
Par 8	Programme vetting Committee (PVC)		Not yet complied	Not Yet 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		Not yet complied	On-going activities
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		Not yet complied	On-going activities

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
	activities assigned thereto, including amoung overs, the AMIZ, and the SaveNet			
Schedule Par 2	The borrower shall insured that Programme is exempted from taxes		Complied	GoZ provide counterpart funds to clear taxe
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.		Not yet complied	On-going activities

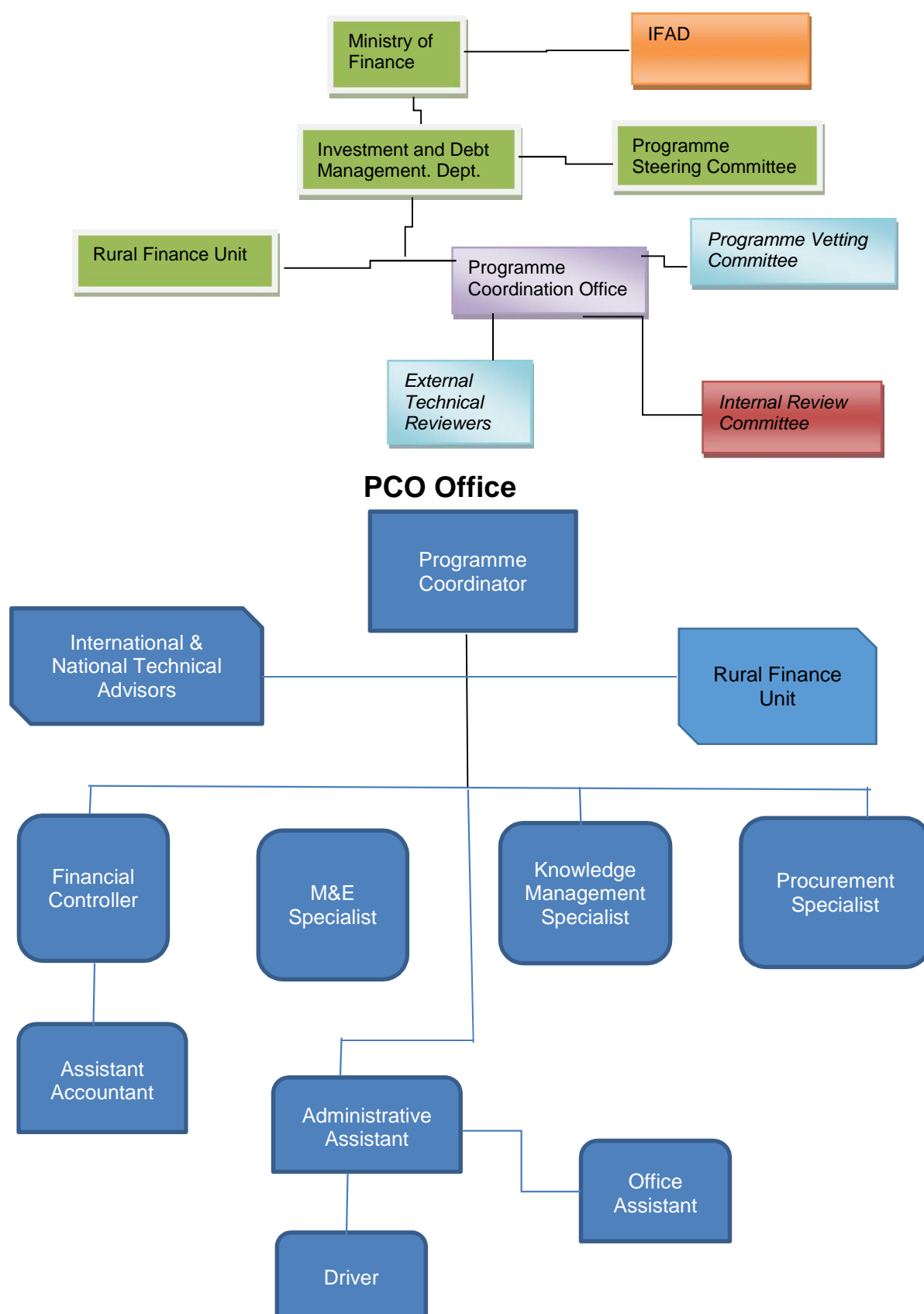
Appendix 5: Summary of key actions to be taken within agreed timeframes

Agreed actions	Responsibility	Agreed date
Programme Implementation.	RFU	Before the end of July 2016
The PCO should give priority and more attention to MOU's effectiveness with BoZ, DBZ, AMIZ, SaveNet and other contract agreements and grant recipients.		
The PCO should expedite the review of the detailed proposals for the 4 projects which were selected and expedite their implementation	RFU in collaboration with external reviewers and the vetting committee	Before the end of July 2016
The IFAD's Country Office should provide support to ensure that the RFU is well positioned to carry out effectively its mandate, separately or within the new Financial Policy Unit, under Economic Management Department	RFU and IFAD's Country Office	August 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	RFU	August 2016
Expedite the preparation and the launching of the base line survey,	RFU	August 2016
Ensure the setup of effective and evolving simple M&E system.	RFU	October 2016
RUFEP should prepare a concept note on the national dialogue to advance the rural financial inclusion front and organise the conference accordingly.	PCO	June 2016
The mission urges the PCO to carry out the planned activities, to expedite the selection process of external evaluators, develop sample of performance-based Partnership Agreement and initiate consultations and negotiations to sign different agreements.	PCO	June 2016
PCO training. The mission recommends that key professional staff should strengthen team work culture, through training that will cover aspects of team building, leadership skills, matrix organization and communication.	PCO	September 2016

TORs and BTOs. PCO should ensure that project staff prepare TORs before any mission in the field or outside the country and also establish rules for mandatory Back To office Report (BTO), which should highlight the proceeding of the mission and the main outcome of the mission. Furthermore, as it is done in many IFAD's projects, PCO should initiate Client Satisfaction Surveys, that could be instrumental in drawing lessons for the way forward.	PCO	Continuous
Ownership of the programme. The Programme Coordinator should ensure that all PCO staff is properly oriented and briefed on the programme challenges. Thereafter, the PCO should establish a participatory mechanism for improved understanding of the programme objectives, implementation approach and targeting strategy for each component by all Programme stakeholders. Therefore, there is a need to hold comprehensive consultations, in view of preparing a strategic enabling framework for programme implementation and capacity building at various levels from BoZ, RFU, DBZ and IPs. The PCO should plan for training assessment, identify training priority areas, identify training partners, the planning, costs, budget, number of trainees, expected outputs and outcomes and feedback mechanism through annual training evaluation. The PCO should also document efficiency and effectiveness of all training courses (BoZ, RFU, DBZ and IPs, PCO staff members).	PCO	August 2016
Annual review and planning workshop should be organized 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.	PCO	August 2016
Partnership management. It is critical for the PCO, to provide a result based management framework to ensure quality of services and mechanism to monitor and evaluate annually, the IPs performance.	PCO	Continuous

Collaboration with other IFAD-supported Projects. The mission recommends for the next AWPB, to hold IFAD's portfolio joint programming to identify the complementarities that will enhance effectiveness, efficiency and impact of the respective Programmes and therefore, the overall Country Programme.	PCO	October 2016
Synergy and Complementarity with major technical and financial partners. Maintaining dialogue with various parties and proactively exploring opportunities for linkages will be one of the important tasks for the PCO.	PCO	September 2016
Fiduciary aspects. Finalize the PIM section on financial management, which should be submitted to the steering committee and IFAD's no objection	FC, PC	December 2016
Expand and update the Pastel software, to include specific report requirements for IFAD.	FC	July 2016
Audit. Submit internal auditor semi-annual reports and follow the status of recommendations	FC, Internal auditor	June/December
Undertake the audit of 2015/2016 exercise and send the audit report by 30 June 2017 at IFAD	FC, Auditor General	June 2017

Appendix 6: Rural Finance Expansion Programme - Organigram



Appendix 7 :List of persons met

NAME	FUNCTION	Organisation
Pamela C. Kabamba	Permanent Secretary, BEA	MoF
Musapenda J Phiri	Head financial sector development Unit	Bank of Zambia
Kwibisa Liywali	Programme Manager	SAPP
Joseph Zifa Mphande	Assistant Director NBFi Dept.	Bank of Zambia IDM
Visscher MBbuku	Director, Supervision Dpt.	Bank of Zambia
Mukuli Chikuba	Director, Economic Management Dpt.	MoF
Brian G. Mtonya	Senior Private Sector development Specialist	World bank
Betty Wilkinson	Chief Executive Officer	DFID-FSDZ
Guy Vanmenen	Head Rural Household Finance	DFID- FSDZ
Michael M. Mbulo	Programme Coordinator	RUFEP
Samuel Tembo	Quality Effectiveness Manager,	Acting Chairperson - SaveNET /Plan international
Derrick Simukoko	Chief Economist	MoF
Nolianga Imasiku	Economist	MoF
Shilambwe Mwaanga	Chief Economist -	MoF
Dick Siame	Country Programme Officer	IFAD
Wassem Khan	Procurement and Administration Officer	IFAD
Ted A Bear	IFAD Consultant	
Ezra Chibwe	Financial Controller -	RUFEP
Womba Kawanu Phiri	M&E Specialist	RUFEP
Chisala Mutale	Procurement Specialist	RUFEP
Caiaphas Habasonda	National Technical Advisor	RUFEP
Debora Chibonga	Assistant Accountant	RUFEP

List of people who attended the NFIS Meeting

Mukuli Chikuba	Director, Economic Management Dpt.	MoF
Chisha Mwanakatwe	Senior Director-Supervisory Policy	Bank of Zambia
Musapenda J. Phiri	Head FSD Unit	Bank of Zambia
Kabinda Kawesha	Assistant to Deputy Governor	Bank of Zambia
Mutumboi Mundia	Director - Market Supervision and Development	Securities and Exchange Commission
Mwenya Glory Chipoya		
Namakau Ntini		Pensions and Insurance Authority
Goodson Kapaso		Pensions and Insurance Authority
Michael Mbulo	Programme Coordinator	RUFEP
Remmy Kambamba		MoF
Mwaanga Shilambwe	Chief Economist	MoF
Boyd Ng'andu	Senior Economist	MoF
Mohammed Tounessi	Consultant	IFAD
Siegfried Zoetel	Senior Financial Sector Specialist	World Bank
Brain Mtonya	Senior Private Sector Specialist	World Bank
Katongo M. Musonda	Economist	MoF

Appendix 8: Programme for supervision and implementation support mission - 28th April – 10th May 2016

Date	Person	Position & Institution	Component	Time	Venue
28/04/16 Thursday	RUFEP Team brief (All)	RUFEP Team	I-III	08.00	RUFEP, Thabo Mbeki Road
	Individual meetings with team members	<ul style="list-style-type: none"> - Programme Coordinator - Financial Controller - Monitoring & Evaluation Specialist - Procurement Specialist 		11.00	
29/04/16 Friday	Courtesy call on Mrs. Pamela C. Kabamba (All)	Permanent Secretary - BEA	I-III	08.00	MoF, Chimanaga Road
	Mr. William Kabwe/ Mr. Derrick Simukoko	Acting Director IDMD - MoF Chief Economist & Policy Advisor RFU	I-III	09.00	MoF
	Mr. Mukuli Chikuba	Director, Economic Management Department	I-III	10.00	MoF
	Mr. Visscher Bbuku/ Musapenda Phiri (All)	Director NBF/ Head Financial Sector Development - BoZ	I-III	14.30	BoZ, Cairo Road
30/04/16 01-02/05/16 Weekend and Public Holiday					
03/05/16 Tuesday	Ms. Joanna Ledgerhood	Director, Financial Sector Deepening Zambia (FSDZ)	I-III	09.00	Inchito II 377A, Kabulonga Road
	Mr. Samuel Tembo	Acting Chairperson SaveNet, Plan International Zambia	I	10.30	Kabulonga
	Mr. Jacob Lushinga	Managing Director, Development Bank of Zambia	I	14.30	Katunjila Road
04/05/12 Wednesday	Individual meetings with PCO team members	Mission Team/PCO	I-III	08.00	RUFEP
05/05/16 Thursday	Individual meetings with PCO team members/ Report Writing	Mission Team/PCO	I-III	08.00	RUFEP /Hotel
06/05/16 Friday	Report Writing	Mission Team	I-III	08.00	RUFEP / Hotel

07-08/05/16 Sat-Sun					
Weekend					
09/05/16 Monday	Debrief of draft Aide Memoire with RUFEP Team	Mission Team	I-III	14.30	RUFEP
10/05/16 Tuesday	Submission of Aide Memoire to MOF and other partners	Mission Team / Programme Coordinator	I-III	08.00	RUFEP
18/05/16 Wednesday	Aide memoire Signing - Mrs. Pamela C. Kabamba	IFAD Country Director / Permanent Secretary - BEA	I-III	08.00	MoF

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

Appendix 9: Knowledge management: Learning and Innovation

Learning

Not yet Applicable. Programme implementation is about to start.

Innovation: Describe any interesting innovation noted during supervision

Not yet Applicable. Programme implementation is about to start.
