

Zambia

Rural Finance Expansion Programme

Supervision Report

Main report and appendices

Mission Dates: 03 - 14 June 2019

Document Date 05/08/2019

Project No. 1100001650

Report No. 5120-ZM

East and Southern Africa Division
Programme Management Department

Abbreviations and Acronyms

AWPB	Annual Work Plan and Budget
BoZ	Bank of Zambia
CBFI	Community Based Financial Institution
CCPC	Competition and Consumer Protection Commission
CHAZ	Churches Health Association of Zambia
DBZ	Development Bank of Zambia
EMD	Economic Management Department
EOI	Expression of Interest
ETP	Entrepreneurship and Technology Park Limited
FSDZ	Financial Sector Deepening Zambia
FSPs	Financial Service Providers
GRZ	Government of the Republic of Zambia
ICO	IFAD Country Office
IDMD	Investment and Debt Management Department
ILO	International Labour Organization
IFAD	International Fund for Agricultural Development
IFMIS	Integrated Financial Management Information System
IOF	Innovation and Outreach Facility
IPs	Implementing Partners
IRC	Internal Review Committee
KCCC	Kasama Christian Community Care
KM&T	Knowledge Management and Technical Support
KZF	Keepers Zambia Foundation
MCDSS	Ministry of Community Development and Social Services
MED	Monitoring and Evaluation Department
M&E	Monitoring & Evaluation
MLF	Micro Loan Foundation
MoDP	Ministry of Development Planning
MoF	Ministry of Finance
MOU	Memorandum of Understanding
MSME	Micro Small and Medium Enterprises
NACRO	New Apostolic Church Relief Organization
ORMS	Operational Results Management System
PIA	Pensions and Insurance Authority
PIM	Programme Implementation Manual
PCO	Programme Coordination Office
PVC	Programme Vetting Committee
PSC	Programme Steering Committee
REES	Rural Economic Expansion Services
RIMS	Results and Impact Management System
SEC	Securities Exchange Commission
SPs	Strategic Partners
ZICTA	Zambia Information and Communication Technology Authority

A. Project Overview

Region:	East and Southern Africa Division	Project at Risk Status:	Not at risk
Country:	Zambia	Environmental and Social Category:	B
Project Name:	Rural Finance Expansion Programme	Climate Risk Classification:	3
Project ID:	1100001650	Executing Institution:	not available yet
Project Type:	Credit and Financial Services	Implementing Institutions:	not available yet
CPM:	Ambrosio Barros		
Project Director:	not available yet		
Project Area:			

Approval Date:	11/12/2013	Last audit receipt:	28/06/2019
Signing Date:	22/07/2014	Date of Last SIS Mission:	14/06/2019
Entry into Force Date:	22/07/2014	Number of SIS Missions:	8
Available for Disbursement Date:	04/12/2014	Number of extensions:	0
First Disbursement Date:	15/12/2014	Effectiveness lag:	7 months
MTR Date:	not available yet		
Original Completion Date:	30/09/2022		
Current Completion Date:	30/09/2022		
Financial Closure:	not available yet		

Project total financing

IFAD Financing breakdown	IFAD	\$8,416,001
Domestic Financing breakdown	Domestic Financing Institutions	\$3,298,493
	National Government	\$2,612,804
Co-financing breakdown,	Spanish Fund	\$11,987,759
Project total financing:		\$26,315,057

Current Mission

Mission Dates:	03 - 14 June 2019
Days in the field:	12
Mission composition:	Mr. Ambrosio Barros, IFAD Country Director; Ms. Teresa Maru-Munlo Mission Team Leader; Mr. Sauli Hurri, Regional Technical Specialist; Rural Finance, Markets and Value Chains and Deputy Team Leader; Ms. Grace Nakanjakko, Monitoring and Evaluation and Knowledge Management Specialist; Ms. Stefania Gnoato, Nutrition, Gender and Social Inclusion Specialist; Mr. Alessandro Neroni, Procurement Specialist.
Field sites visited:	Lusaka, Kabwe/Ngabwe

B. Overall Assessment

Key SIS Indicator #1	Ø	Rating	Key SIS Indicator #2	Ø	Rating
Likelihood of Achieving the Development Objective		5	Assessment of the Overall Implementation Performance		5

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

Sustainability and Scaling-up	5	Financial Management and Execution	5
Institutions and Policy Engagement	6	Acceptable Disbursement Rate	4
Partnership-building	5	Quality of Financial Management	4
Human and Social Capital and Empowerment	4	Quality and Timeliness of Audit	5
Quality of Beneficiary Participation	5	Counterparts Funds	6
Responsiveness of Service Providers	4	Compliance with Loan Covenants	5
Environment and Natural Resource Management	4	Procurement	5
Exit Strategy	4		
Potential for Scaling-up	4		

Relevance	5
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C. Mission Objectives and Key Conclusions

Background and Main Objective of the Mission

1. The Rural Finance Expansion Programme (RUFEP) is an eight (8) year programme, with a total budget of US\$26.315 million, financed with a concessional loan from IFAD of US\$8.416 million, Spanish Trust Fund of US\$11.988 million, Participating Institutions contribution of US\$3.29 million and Government of the Republic of Zambia (GRZ) contribution of US\$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 will be achieved through three components: (i) Strategic Partnerships; (ii) Innovation and Outreach Facility (IOF) and (iii) Knowledge Management and Programme Implementation. The Programme is national in scope with the geographical areas to be reached, through different financial institutions and service providers.
2. The last Implementation and Fiduciary Support Mission took place from 12-16– November 2018. The overall Mission objective of the June 2019 was to review the Programme progress, and provide support on need basis in order to facilitate effective implementation. The progress review was done in reference to the level of achievement and/or potential to achieve the RUFEP development objective and goal. Secondly, the Mission as part of its key objective reviewed the Mid Term Review (MTR) findings and recommendations and discussed with the Programme Coordination Office (PCO) appropriate implementation plan of the MTR recommendations. Specifically, the Mission: a) reviewed implementation progress of past Mission recommendations; b) reviewed progress and compliance of annual work plan and budget (AWPB) 2019; c) reviewed RUFEP procurement plan; d) reviewed findings and recommendations of the MTR; e) reviewed the RUFEP log frame results; f) held meetings with Ministry of Finance (MoF) and selected strategic partners and implementing partners; g) undertook field visits and interacted with some of the RUFEP end beneficiaries.

Key Mission Agreements and Conclusions

1. RUFEP has made significant progress in implementation, thus enabling rural people to access financial services through various partners. Most partners have performed satisfactorily. Overall the annual implementation progress is rated **moderately satisfactory (4)**. The following are main achievements:
 - o *Disbursement is satisfactory.* As of 10th June 2019, IFAD's loan disbursements amount to SDR 2.96 million (USD 4.2 million) which is 54% of IFAD's planned financial support (SDR 5.5 million). The review shows a marked increase in the disbursement rate as compared to the data presented in the previous supervision held in November 2018 (from 40.77% to 54%), as the project submitted 13 WAs for disbursement of the IFAD loan. The total disbursements under the Spanish Trust Fund loan (STF) is EUR 4.9 million (55% of total STF allocation), thus leaving an available balance of EUR 4 million. The review shows a marked increase in STF's disbursement rate from 50.59% to 55% as compared to the data presented in the last supervision.
 - o *Functioning Rural Finance Unit (RFU):* RUFEP has supported MoF to establish a new unit that will play a key role in rural finance policy reviews, advocacy for innovative approaches and financing rural communities, with special focus to agricultural finance.
 - o *Results through partnerships:* Through 8 Strategic Partnerships under component 1, RUFEP has contributed to creating an enabling environment for financial inclusion with key interventions being support for the launch of the Rural Finance Policy and Strategy, support for the development of National Financial Inclusion Strategy (NFIS) and creating awareness among the rural communities for Movable Property Registry System (MPRS). Through 25 Implementing Partners (IPs) under component 2, RUFEP has supported start-up of new financial products and delivery mechanisms, and enabled 112,971 rural people to access financial services.
 - o *Programme oversight:* Through discussions with the Ministry of Finance (MoF), and reviews of the Programme Steering Committee (PSC) minutes, the Mission concluded that the MoF continues to provide strong oversight of RUFEP through PSC and oversight of the financial inclusion strategic framework. The Programme Vetting Committee (PVC) continues to be diligent in approving RUFEP grant support to the most effective and innovative proposals.
2. **Main agreements:** the PCO with oversight from the steering committee will undertake the following;
 - o *Budget availability:* Due to exchange rate fluctuation (SDR-EUR-USD), the MTR estimated that projected RUFEP loan amount in USD terms will be less by USD 2.4 million compared to design budget. The Mission noted that this figure could be less, and therefore IFAD in collaboration with GRZ should undertake an in depth analysis to ensure the projected figure of USD 2.4 million is neither overvalued nor undervalued. Given the importance of this matter and its impact on the Programme's planning, the analysis should be done immediately and latest by 30th September 2019. A loss will require IFAD and GRZ to make alternate plans to cover the loss or bring forward the completion of the Programme.
 - o *Status of action points from November 2018 Mission:* Except for two actions, all actions points from the last Mission had been implemented as recommended. The two outstanding actions are; 1) endorsement of the revised log frame by IFAD and 2) a response from IFAD's FMD and Legal Department regarding the interpretation of the Special Covenants 4 and 5 of Schedule III in the Financing Agreement. The latter is

meant to clarify the recommendation of the RUFEP June 2018 Mission to have both strategic partners (SPs) and Implementing partners (IPs) submit audited reports to their programme as part of their annual reporting.

D. Overview and Project Progress

The RFU is fully established and operational with 9 members of staff. The unit currently hosts the NFIS stakeholder group and participates in various sector forums. The team has already started working independently of RUFEP, and has already engaged several sector players some development partners, exploring potential for partnerships. These engagements are not only critical for recognition of the unit as the body responsible for policy and promotion of rural financial inclusion, but also charting a strategy for its sustainability. The unit is in the process of developing a monitoring and evaluation framework to ensure they have up to date statistics and information of the sector. The MoF plans the sustainability of this unit beyond RUFEP through an annual budgetary allocation.

1. **Component 1: Strategic Partnerships (SPs). Rated as moderately satisfactory(4).** Out of the eight (8) SPs, five (5) including; Competition and Consumer Protection Commission (CCPC); Financial Sector Deepening Zambia (FSDZ); Ministry of Community Development and Social Services (MCDSS); Patents and Companies Registration Agency (PACRA); Savings-led Microfinance Network of Zambia (SaveNet) are performing and on schedule with planned activities, and respective outputs. Bank of Zambia (BoZ) has partly achieved on policy and regulatory framework, but it is behind schedule with one major activity; a study on agency and mobile banking practices. It is envisaged that the results of the study will facilitate an effective review of the draft Agent Banking Regulations which was developed in 2012. The Mission however is of the view that BoZ will accomplish all its outcomes before the end of the Programme. Development Bank of Zambia (DBZ) is behind schedule mainly in one activity, wholesale lending to MFIs, but it has a pipeline and envisages to disburse as soon as expected external funding is received. Furthermore the new board and senior management are committed to the wholesale lending approach unlike the previous management. For this reason the Mission believes there is still a likelihood that DBZ will achieve its respective outputs before or by end of the programme period. Association of Microfinance Institutions of Zambia has picked up the pace for implementation but still lags behind, and continues to face governance challenges because of frequent changes of Chief Executive Officers (CEO) by its members. For this reason there is a risk that some outputs especially in regard to capacity of MicroFinance Institutions (MFIs) will not be met unless RUFEP works quickly with the Board to develop strategies to minimize interruptions with exit of CEOs. Below is a summary of interventions each SP should undertake according to respective agreements;
 - o **BoZ:** Finalize and roll out of laws/regulations governing agency and mobile banking; explore and analyse options for introducing new collateral substitutes for agriculture/ small and medium enterprises; disseminate the legal changes; and scale up of the financial education programme. All interventions have been done except one.
 - o **DBZ:** Develop or refine rural/agriculture lending products; develop or review credit policies and procedures; train staff in post- disbursement monitoring and portfolio risk management; train staff in financial modelling and management; conduct organisation re-modelling; and conduct a market study that confirms viability for a re-finance facility of agricultural term loans. Only two activities have been done
 - o **AMIZ:** Support knowledge management of the sector; increase rural outreach of microfinance institutions through skills training/ technical assistance/ market research and product development; peer exchanges at the regional and international level and benchmarking against best practice; identify gaps in policy and support systems necessary to grow rural and agricultural finance and play the role of advocate; and create synergies between FSPs, agro-processors, Mobile Network Operators (MNOs) and others, to enhance financial inclusion in rural areas and the availability of appropriate agricultural products and services. No activity has been undertaken. The Mission is of the view that AMIZ will not be able to deliver on these interventions because it does not have the right capacity. The partnership agreement should therefore be revised so that it can focus on a few key areas including collection of MFI sector statistics; documenting and sharing best practices; rural and agriculture finance advocacy.
 - o **SaveNet:** Establish a network of Village Savings and Loan Associations (VSLAs) promoters; establish appropriate governance structure to be fully operational and independent; build capacity for VSLAs promoters and introduce a near standard approach to forming new VSLAs; promote formation of new VSLAs; strengthen existing VSLAs and facilitate linkages with formal FSPs. SaveNet is fully established with an interim Board. The standardization process has been started with development and roll out of “master trainer”. SaveNet has increased its membership from 12 to 37 and started collecting member statistics regularly. BoZ has representation on the Board, and this will strengthen the lobbying and advocacy position of SaveNet with the regulator and other FSPs. Currently SaveNet through its 37 members oversee 15,730 VSLAs with 331,704 members. All planned interventions have been implemented.
 - o **MCDSS:** Upgrade the server room that will house the Supporting Women’s Livelihood (SWL) payments system. With the upgrade of the server room MCDSS plans to reach 75,000 poor and vulnerable women aged between 19-64 in 51 districts with payments through the SWL payments system, and a similar number will receive mobile phones to enable them access financial services through mobile money or bank accounts with FSPs of their own choice; and at least one FSP will be incentivised to open new service points or agencies in targeted rural areas based on demand created by SWL payments. The server upgrade has been completed, but monitoring of the other interventions will be on going and be regularly reported.
 - o **PACRA:** Sensitize and create awareness on the importance of registration of the newly enacted Companies Act No. 10 of 2017 and the Corporate Insolvency Act No. 9 of 2; formalisation (registration) of

at least 2,250 rural based businesses; increase the number of applications for loans and other financial services by rural based businesses by at least 500; increase the number of rural businesses accessing credit by at least 250 entities; increase amounts of loans being disbursed to rural based businesses by 10%; through collaboration with financial and other institutions, provide training on business and financial services and facilitate the provision of appropriate financial products and services to at least 250 newly registered businesses; disseminate information about the Movable Property Registration System (MPRS) in the trainings; encourage financial institutions to utilise the MPRS to scale-up access to financial products and services; and report on the use of the MPRS arising directly from this project. Sensitization and awareness of the new law has been undertaken in various districts. Workshops were conducted in Luangwa, Kafue, Luanshya, Masaiti and Mpongwe in partnership with FINCA. A total of 480 businesspersons and aspiring entrepreneurs participated in the business registration training while 343 participated in financial literacy training workshops. 169 informal businesses were registered while 108 expressed interest to apply for loans. In Kafue two Savings accounts were opened and one loan disbursed and 34 businesses filed their annual returns.

- o **CPCC:** Identify and understand anticompetitive and unfair trading practices faced by the rural poor in the agricultural and rural finance sector; strengthen financial inclusion and capability through financial education initiatives conducted in collaboration with key stakeholders both within and outside the financial sector; and develop guidelines on financial consumer protection. The planned activities are being undertaken and are on schedule, but as the MTR report notes there is need for CPCC to continue to collaborate with other regulators to avoid duplication and overlap.
 - o **FSDZ:** Support implementation of four Rural and Agricultural Finance (RAF) pilots by FSPs by 2020; support scaling up of 2 successful RAF pilots by FSPs by 2020; build financial capabilities of 36,000 smallholder farmers and 12,000 poor rural households by 2020; and raise awareness and understanding of RAF opportunities for 45 FSPs by 2020. To-date concept papers for Digital Layby Agri-Inputs Payment (DLIP) and digitizing beans marketing payments systems pilot projects have been developed and are being reviewed; an escrow account for a credit guarantee scheme has been opened at Investrust Bank Plc and nine bank staff were trained in credit guarantee management. Under the Alliance Gineries contract farming scheme, advance cash payments have been extended to 3,414 households of smallholder farmers, benefitting 20,484 individuals. The loan processes digitisation pilot project with Agora Microfinance Zambia (AMZ) has reached 4,508 clients (69% female clients) and Zazu Financial Education (FE) roll-out orientation workshops covered 184 (148 males and 36 females) Conservation Farming Unit (CFU) lead smallholder farmers.
2. **Component 2: Innovation and Outreach Facility. Rated as satisfactory (5).** The IOF is a matching grant facility with total budget of USD 6,890,000. Through a competitive selection methodology, the IOF makes small grants of USD 25,000 – USD 200,000 to Implementing Partners (IPs) with the aim to develop new pro-poor financial services, delivery channels, and improve their outreach to rural areas.
- o **IOF disbursement** progress as of 31st March 2019: (i) Appropriate grant review and approval mechanism established and operational since 2016; (ii) 158 concept notes received at the PCO; (iii) 31 grants approved and started implementing; (iv) Grant commitments of USD 4,549,030 made which represents 66% of the facility; (v) Accumulated disbursements stood at USD 3,050,000; (vi) Beneficiary contributions made are USD 4,216,007; (vii) grant pipeline of 24 additional proposals worth USD 2,280,997 is under preparation. With these, full IOF disbursement is projected by end of 2020.
 - o **IOF implementation categories.** The grants are made through three windows that each have distinct objectives. (i) **Window 1** aims to support Community Based Financial Institutions (CBFIs) linkages. Under this window, eight grants were made in value of USD 557,831. The W1 sub-projects follow a similar approach, building on existing CBFI development with aim to link them to financial institutions, (ii) **Window 2** on Agency and Mobile Banking has made a total 17 grants in value of USD 3,166,486. This window has supported a number of innovative rural outreach solutions of mobile banking, which can be categorized to (a) Mobile payment solutions, (b) Rural asset financing platforms, (c) Value chain mobile transaction platforms, (d) Off-grid energy delivery and payment platforms; (iii) **Window 3:** Rural Finance Equity and Innovations made six grants in total value of USD 149,818. These were research and innovation pilot projects with the aim to understand and unlock potential financial solutions for rural development such as SACCOs, integrated energy and livelihood development, and warehouse receipt system. **See technical background** paper below in this report for a full list and summary descriptions of IOF grants made.
 - o **IOF results.** The RUFEP logical framework has a number of indicators measuring IOF. The most relevant target indicators and the aggregated achievement through the implementation of grant portfolio is as follows:
 - 5 banks/FSPs operating new rural agent networks; Achievement: 9
 - 850 service points registered and operational; Achievement: 1,501
 - New financial products and 4 new delivery models operational. Achievement: 9 / 8
 - 20 CBFIs linked to FSPs and 20 CBFIs use a new product. Achievement: 420 / 420
 - Existing CBFIs strengthened. Achievement: 2,725 CBFIs with 54,500 members

IOF next steps. (i) The grant agreement pipeline needs to be completed by mid-2020 to allow at least 18 month implementation period for each grant. To ensure full implementation, the MTR recommended and this mission agrees with changed maximum grant amounts for windows 1 and 3. With this, the IOF pipeline is on track; (ii) to prepare for Project

Completion Report, the PCO will collect information on livelihood impact of the implemented IOF models; (iii) **Main challenge:** due to innovation and start-up nature of the IOF, the quality of grant implementation and achievement of targets varies by implementing partner. Some of the supported business models have high likelihood of financial sustainability and rural outreach beyond grant agreement targets, while some are unlikely to reach agreed targets within the programme period. To allow systematic response and exit strategy, PCO will recruit a dedicated PCO National Officer, with a TOR to assess and categorize on-going grants to high, potential and weak performers. Subsequently, the Officer will conduct and coordinate implementation support to potential performers; and coordinate documentation of the success-models for scaling up.

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
Overview and Project Progress		
Outstanding Action items Follow up and close two outstanding issues from previous mission's action points	PC / IFAD	07/2019

E. Project implementation

a. Development Effectiveness

Effectiveness and Developmental Focus

Effectiveness

Rating: 4

Previous rating: 4

Justification of rating

Assessment of the project implementation outputs and through observations and interactions with project beneficiaries, indicate that the project is on course to achieve its development objectives and outcomes. Outreach to innovative financial products and services has been achieved greatly through the implementation of window 1 and window 2 of the IOF. However, the PCO needs to systematically capture outcomes of these interventions through structured surveys to enable objective assessment. The information to be generated will make it possible for RUFEP to more systematically assess progress towards attainment of the set development objective. The planned Annual Outcome Survey (AOS) should therefore be expedited and ensure its completion by end of November 2019.

Log-Frame Analysis & Main Issues of Effectiveness

The project has developed ToRs for carrying out an outcome survey to assess the level of attainment of project outcomes. Indicators in the project Logframe are therefore only updated up to output level. Revisions were made to the project Logframe during implementation purposely to align with implementation and improve on the measurement of results. Some of the revisions in the Logframe were however not well aligned to the project development focus. Another revision of the Logframe therefore needs to be undertaken to ensure that it is more focused and aligned to the project development objective of increased access to and use of sustainable financial services by poor rural men, women and youth. Measurement of results should then have an increased focus on outreach of the rural financial services and the impact this is having on the project beneficiaries rather than on the profitability of the institutions involved in the promotion and provision of these services.

Updated results so far indicate that majority of project activities will lead to the expected results with the exception of the activities related to the implementation of the Line of Credit by Development Bank of Zambia and activities identified for funding under window 3 of the IOF which uptake has been slow. There has been positive response and uptake of services and products developed under window 1 and window 2 of the IOF. A total of 28 out of a revised target of 48 grants have been approved and implemented under the IOF. This has resulted in 9 new financial products and services being developed and accessed by the project beneficiaries. The new financial products include savings product where beneficiaries in the CBFIs have been encouraged to open savings accounts with FSPs (both Banks and MFIs). The others are Group Loans, Digital Loans, Cash Outs, Cash-ins, Remittances (Sending and Receiving) Payments, Transfers (Person to Business Payments) and Person to Person Transfers. Future assessments should be made on the effect of these services on the lives of the users.

Agreed Action	Responsibility	Agreed Date
Development Effectiveness		
Revise the Logframe Revise the project Logframe to ensure focus on measurement of outreach and extent of use of the Rural financial services and products promoted by the project rather than on the profitability of the FIs involved with promotion of these services	M & E Specialist	08/2019
Carry out Annual Outcome Surveys Undertake Annual Outcome surveys, starting with 2019, to systematically assess progress towards achievement of the development objective	M & E Specialist	11/2019

Development Focus

Targeting and Outreach

Rating: 5

Previous rating: 4

Justification of rating

Targeting and outreach continues being rated satisfactory. Mid-term outreach stands at 80% of the end target of 140,000

individual beneficiaries, with a women ratio over 50%, mostly achieved under Component 2. Programme, through IPs, reaches rural communities with various financial instruments through existing and innovative channels like promotion of VSLAs, agency and mobile money services. Geographic and self-targeting measures are in place both under Component 1 and Component 2 (see details below). The programme reaches out to all 10 provinces through the IPs. The community-based approach of Component 2 secures self-targeting through awareness meetings, consultations and joint planning. Targeting is regularly monitored through physical field visits by RUFEP staff and IPs reports.

Main issues

Target groups. The programme targets up to 140,000 men, women and youth in rural areas through improved access to financial services. At least 50% of the target are expected to be women and 25% youth^[1]. RUFEP uses a working definition for what constitutes 'rural': all districts or areas outside of the rail line (Livingstone to Kitwe) and outside the provincial centres (with some provincial centres, such as Chinsali in Muchinga Province potentially being designated as rural). The Programme's targeting and intervention strategies therefore give special considerations to women and youth.

Targeting strategy. RUFEP applies the targeting strategy and mechanisms as defined in the PIM and PDR which have been further embedded in component-specific documents used for implementation.

1. Under *Component 1*, which aims to strengthen partner institutions' capacity to deliver innovative demand driven financial services to rural communities in Zambia, targeting is secured through the 'Strategic Partnership Framework Approval Criteria' form where a higher scoring is assigned if the partner operates in rural areas and prioritizes the financial inclusion of women and youth.
2. Under *Component 2*, which aims to enable "Participating Financial Service Providers (PFSPs) to develop capacity to deliver demand-driven rural and agricultural financial products and services", IPs are selected according to their rural outreach focus which has so far been able to secure RUFEP presence in all 10 provinces. Mechanisms of self-targeting are embedded in the IPs grant proposal approval process where the IP must provide details on how, and to what extent, they plan to engage with the communities in awareness, consultations and needs identifications activities. Activities, such as financial products and training material is tailored to the needs (for example a specific audio application is used for training illiterate beneficiaries in financial literacy). The grant proposal format sets also IPs' performance indicators and clear targets for poor outreach, with disaggregation by gender and age.

These significant efforts towards efficiency in targeting, and increased social inclusion as a whole, will need to be further validated against outcome data which is expected to become available from the next AOS.

Youth. The PCO has faced challenges in quantifying the outreach to youth due to some definition issues. Further guidance will be provided by the M&E Specialist on the mission.

^[1] The Ministry of Youth and Sport defines the youth as young men and women from 18 to 35 years old.

Gender equality & women's participation	Rating: 5	Previous rating: 5
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Justification of rating

Gender equality & women's participation continues being rated satisfactory. The programme outreach to women is above the end appraisal target of 50%. RUFEP is expanding women's access and control over assets such as finance and technology through their participation in Component 2 CBFIs-tailored initiatives (Window 1, 2 and to some extent 3). Women's participation in CBFIs is higher than men's (approx. 80% vs. 20% respectively) with women's leadership around 82%. RUFEP advocates and ensures its interventions are gender responsive through the use of "The Gender Checklist" in the selection of its partners. This practice has: prompted DBZ to adopt the gender checklist in its own internal policy; sensitized BOZ to introduce gender disaggregation in their record system.

Main issues

RUFEP was designed with a strong focus on gender's equality and women's participation. RUFEP's strategies aim to overcome the challenges faced by women regarding access to finance. The programme identified the following challenges: lack of collateral/discriminatory property rights; financial illiteracy; lack of awareness of development finance; lack of financial confidence; lack of appropriate products; uncertain business climate; inadequate financial skills; lack of banking facilities; cumbersome and complicated application procedures; and high cost of financial services.

Further than the use of the 'Gender Checklist' for both components, gender-equitable and empowering measures are embedded in the development of Component 2 grant proposals where women targets are detailed. Gender-sensitive activities include: the promotion of women membership in CBFIs and in leadership positions (improving their decision-making role); tailored finance product development; the integration of GALS in CBFIs training which helps women and men, including those who cannot read and write, identify their visions, plans their lives and businesses and bring about

significant changes in gender relations.

As a result, programme interventions, particularly under Component 2, are expanding women's access to finance, technology and to some extent land. Improved access to finance and the promotion of savings are expected to have a positive impact on women economic empowerment (results not yet available) while access to mobile phones and local outlets, and the use CBFIs as bank agents promote the reduction of women workload and their social empowerment (outcomes not yet available). Better access to land which is supposed to improve women's legal and economic status, are expected to emerge from an on-going land titling grant under Window 3. The next supervision mission should be able to assess the outcome results of these initiatives.

Financial and human resources to gender are adequately made available by RUFEP. The mission recommends the Gender Focal Point role currently assigned to the M&E Specialist be formalized

Gender sensitization at design was envisaged to be part and parcel of the capacity building of selected financial institutions under Component 1. However, the mission noted that gender awareness for these partners was only conducted at programme start-up and no refresher sessions were organized thereafter. The mission thus recommends PCO technical staff and the Gender Focal Point to jointly prepare a 2-years programme on gender awareness which takes into account the needs and plans refresher sessions, thus avoiding the practice of one-time interventions, to the extent possible.

Agricultural Productivity	Rating: N/A	Previous rating: 4
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Justification of rating

The RUFEP support to agricultural productivity is indirect, through access to (i) rural finance for productive investments for 77,382 smallholders, (ii) leasing of small farm equipment including solar irrigation pumps and refrigeration systems for 17,000 smallholders, (iii) value chain arrangements including TA and markets for 12,659 smallholders. These improvements are delivered through the IOF grant projects. Per anecdotal information and supervision field visits, agricultural productivity has increased significantly in milk, tomato, maize, and groundnut value chains. Farm production improvement is particularly visible for the new irrigation investments. RUFEP rural finance models' impact to smallholder productivity and income will be documented by the PCO during next year, by mid-2020.

Nutrition	Rating: N/A
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Justification of rating

Nutrition is rated moderately satisfactory and is primarily conceived as a by-product of Component 2 since the programme does not intervene through nutrition-specific activities. Nutrition is embedded in grant proposals of IPs where service providers must specify how issues of nutrition will be addressed. Nutrition impact is expected from: Window 1, through increased CBFIs savings and the use of 'social funds' for the more vulnerable segments of the rural community (e.g. orphans); Window 2, through increased use of mobile phones and access to local outlets, and the use CBFIs as bank agents. The programme aims to reach the improvement of 6,600 HHs food security by completion. However, current data on nutrition outcomes is lacking and will become available only once the AOS is finalized.

Main issues

The PCO should ensure the upcoming AOS under preparation includes aspects of nutrition and food security, as per ORMS logframe specific indicators.

Adaptation to Climate Change	Rating: 4	Previous rating: 4
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Justification of rating

40. RUFEP design includes no direct interventions or implementation targets on climate change adaptation (CCA), however the project supports CCA measures through (i) creation of awareness and sharing knowledge on the subject based on the Theme Greening the rural financial sector among its partners; (ii) three solar pump irrigation innovation projects that are implemented through sustainable business models and aim at improved farm income and drought resilience; (iii) smart village innovation project that combines access to markets, savings services and CC resilient production system for sustainable results; (iv) inclusion of insurance mechanisms into CBFI lending products to increase smallholder resilience

b. Sustainability and Scaling up

Institutions and Policy Engagement	Rating: 6	Previous rating: 6
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Justification of rating

RUFEP supported MoF and BoZ in review and development of new policies and strategies for rural financial inclusion, including the the National Financial Inclusion Strategy and the Financial Sector Development Policy. RUFEP is a member of the National Financial Inclusion Strategy Implementation Committee [NFISIC]. In addition, RUFEP is the Secretariat for the SME Rural Agricultural Finance Working Group which advises the NFISIC on matters related to rural and agricultural finance. RUFEP also has a seat on the Financial Infrastructure Working Group. RUFEP supported the establishment of the the Rural Finance Unit and continues to work with other Strategic Partners and main industry regulators to accelerate activities that contribute to a stronger meso infrastructure.

Main issues

There is need for the PCO to closely monitor and facilitate coordination of support to the different regulators in order to ensure minimal duplication and/or overlap of activities.

Partnership-building	Rating: 5	Previous rating: 5
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Justification of rating

RUFEP has established operational working relationships with strategic partners in the Zambia Rural Finance sector including MoF, BoZ, AMIZ, MCDSS, PACRA, DBZ, CPCC and SaveNet. Through the IOF grants window, RUFEP has been able to support 33 additional government, private sector and NGO institutions in their Rural Finance development work. All partners visited by the supervision mission reported that RUFEP is a key stakeholder and focal point in rural finance development coordination, knowledge sharing and capacity building. RUFEP-piloted best practices can be scaled up nationally through existing partnerships. Regional knowledge dissemination and scaling up of key success models will be possible in the remaining two years.

Human and Social Capital and Empowerment	Rating: 4	Previous rating: 4
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Justification of rating

RUFEP was designed with a key focus on building capacities for the rural poor. Human and social capital and empowerment are at the core of Component 2 'Window 1' where implementing partners (IPs) support the organizational development of CBFIs in deep rural areas through: orientation meetings, consultations, need assessments, identification of most suitable products and services, capacity building and promotion of linkages with financial institutions. While the programme does not yet report on outcome results towards increased economic empowerment of CBFIs, outputs achievements show 2,725 CBFIs have been strengthened, and 20 new products developed. That said, IPs need to improve their capacity to implement interventions more effectively and efficiently (see details under Component 2).

Quality of Beneficiary Participation	Rating: 5	Previous rating: 5
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Justification of rating

Beneficiary participation through Community Based Financial Institutions (CBFI) is a core building block of the RUFEP design. Through the implementation of component 2 grants in windows 1 and 2 rural people have been involved in participatory activity planning and implementation. It is documented by the Implementing Partners, the adopted inclusive CBFI approach leads to improve and continuous sustainable development of village group dynamics, transparency and accountability, leadership, inclusiveness and participation. Furthermore, the interventions include processes for documenting and addressing beneficiary needs.

Main issues

Beneficiary participation through Community Based Financial Institutions (CBFI) is a core building block of the RUFEP design. Through the implementation of component 2 grants in windows 1 and 2 rural people have been involved in participatory activity planning and implementation. It is documented by the Implementing Partners, the adopted inclusive CBFI approach leads to improve and continuous sustainable development of village group dynamics, transparency and accountability, leadership, inclusiveness and participation. Furthermore, the interventions include processes for documenting and addressing beneficiary needs.

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

The entire RUFEP project is implemented through partners that provide indirect and direct services to project beneficiaries. After initial delays in signing Strategic Partnership and IOF Implementing Partner (comp 1 and 2) Agreements, the period under assessment has shown significant progress in all project activities. The strategic partners MoF, BoZ, AMIZ, MCDSS, PACRA, DBZ, CPCC and SaveNet are all implementing activities according to the AWPB although some activities are delayed for three of eight partners (BoZ, AMIZ and DBZ). Regarding IOF, 13 grant recipients have completed their workplans and 18 are on track to complete. As noted above in this report, under Project Progress, due to risky innovation nature of IOF there are some grants with difficulty to achieve their targets. Project will assess and categorize IOF grants and follow-up to improve performance where possible and document success cases and reasons for weak performance.

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

RUFEP promotes diligent care of environment by sensitizing and requiring all IPs to describing how they will manage the environment and natural resources sustainably in their proposals. In addition, RUFEP occasionally offers, through IOF, smart grants to partners who promote a green economy in their interventions; and through its website and newsletters, RUFEP intermittently shares knowledge on the subject particularly with other IFAD supported programmes. As in the previous mission this mission recommends that the PCO follows up with IPs to ensure they implement the approach described in the proposals.

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

The project PDR does not include a specific Exit Strategy, however the section IV.D. Sustainability provides overall guidance on principles of sustainable project exit. Based on this, the PCO will prepare an Exit Strategy Action Plan, to be reviewed and agreed upon during the next IFAD supervision mission. Following agreement, the subsequent supervisions will review progress made against the Action Plan.

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

RUFEP has high potential for scaling up its successful pilot models within Zambia, through existing partner networks, and eventually also in the neighboring countries and ESA region. Successful pilots with potential for scaling-up include (i) developed innovative digital financial services and products (ii) supported value chain linkages that utilize mobile payment and service delivery platforms, (iii) established models to link smallholder farmers and financial service providers using mobile money, (iv) studies that provide data and understanding on development of new mechanisms and financial products and services for rural communities. See Technical Background paper below in this report with full list of IOF grants and summary descriptions including the innovation aspects

Main issues

Through both component 1 and component 2, RUFEP works with existing institutions to innovate, test and roll out financial services to the rural communities. For RUFEP supported activities, the partners have made contributions ranging from 10%-50%, and this is ample evidence for commitment to sustainability on the part of the partners. Some partners have already received both grant tranches and completed planned activities, and supported activities have been continued even without grants. Because of RUFEP grants and subsequent work done, some partners have attracted new partnerships that assist build on RUFEP interventions. There are a few projects especially under window 2 of component 2 that already demonstrate potential for scaling up, and these include value chain financing for dairy, solar pump systems for small scale irrigation, mobile and agency banking for rural areas.

c. Project Management

Quality of Project Management	Rating: 5	Previous rating: 5
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Justification of rating

RUFEP's PCO focuses on achieving set objectives and has consistently remained proactive in pursuit of partnerships that can deliver on agreed mandates. Where the partners fall short the PCO steps in to provide technical support and training. When positions fall vacant as has happened recently with the Financial Controller, the PCO acts quickly and fills those positions to minimize interruptions to the programme activities. The PSC is strong in its oversight and meets regularly. As reported in by past missions, the PSC intervenes to provide supportive solutions whenever the PCO faces implementation challenges. The PSC through its technical arm the PVC ensures only partners that are deserving and will promote the achievement of the programme call are approved.

Main issues

As pointed out by previous missions, the PCO diligently identifies and forms partnerships with potential for success with innovation in rural finance access. They use the AWPB to manage partnerships and direct interventions well, and are proactive in taking corrective actions where plans are excessively delayed. Management of expenses is good and within allowable bounds and limits. The partners are satisfied with the ways the relationships are managed, and they believe that the PCO does go an extra mile to provide support in implementation. The relationship with MoF is good, and the missions are well planned and supported. The PCO could do better by interacting and sharing its good practices with other IFAD funded programmes.

Knowledge Management	Rating: 4	Previous rating: 4
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Justification of rating

54. The project has a Knowledge Management and Communication Strategy that guides knowledge management interventions, but this can be harnessed by improving operationalization of the strategy. The project has proactively engaged with the stakeholders through various communication and promotional materials and these have resulted in enhanced visibility. The rating has been lowered from a Satisfactory (5) because there is need for RUFEP to strike a balance between promotion of programme activities and implementation of an integrated Knowledge Management, Communication with results and lessons, which should be seamlessly anchored on an operationally effective M&E system, including the institutionalisation of KM and learning agenda in order to enhance the visibility of its outcomes and impacts at all levels.

Main issues

A Knowledge Management and Communication Strategy was developed by the project and is used to guide integration of Knowledge Management and Communication activities in the project. The knowledge management function is coordinated by a fulltime Knowledge Management Specialist who ensures implementation of the strategy including budgeting for KM activities within the AWPB. A webpage www.rufep.org.zm, was also developed and operational. Newsletters mainly containing updates on project activities and events organised by the project have also been developed, in addition to production of 8 video documentaries uploaded on YouTube. The use of mass media in the promotion of project activities has also been done in partnership with local radio stations, in addition to participation and exhibition at Rural Financial Foras. The project plans to recruit a media firm to assist the KM Specialist in documenting project success stories. In addition, a study is planned to assess the factors affecting equal participation of men, youth and women in CBFi activities. ToRs have already been developed and shared with the mission. Video documentary

While the mission commends project management on the efforts undertaken so far to create visibility of the programme, overall implementation of Knowledge management and its integration with an effective M & E system could be improved. The information dissemination channels should be improved with channels that programme partners as well as the primary beneficiaries of the programme can easily identify with. The webpage should be linked to existing relevant government webpages including the newly created RFU to ensure continuity in access to the knowledge materials generated by the programme. The webpage should be populated with Case studies, field stories, photos, video documentaries and other knowledge products developed and prepared under the programme for enhanced sharing. The partnership with the media firm should be enhanced with guidance on capturing those stories that best reflect the outcomes of programme implementation as tracked through the programme M & E system. The contents of the news letters should also be enhanced with more stories from the primary beneficiaries and the impact of the interventions on their lives. More case studies should be carried out on successful approaches, including an assessment on the uptake of the three windows of the IOF and the effect it has had on increasing the outreach of rural financial services in the project area.

Value for Money	Rating: 4	Previous rating: 4
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Justification of rating

To receive best value for the IFAD/GRZ investment, the implementation approach of the programme was largely based on effective use of private sector SPs and IPs. Competitive tendering has been used in all project contracting. All contracts issued have been to performance, and benchmarked to hold the Partners accountable for delivery of the stipulated outputs, and also for the agreed impact as stipulated in the contracts. However, while most of the SPs and IPs have clearly demonstrated high value for money, a number of them are behind schedule and need to speed up implementation in order to achieve the required objectives by project closure.

Main issues

Although operating costs as a proportion of the whole SFT loan has exceeded the budgeted percentage at design, (39% against 30%), the actual proportion for the IFAD loan is way below the budgeted amount at design (1% against 8%). Generally, Recurrent and operating costs have been kept under control leading to a balance between physical and financial performance. The review generally indicates that the programme resources have been used in a diligent and efficient manner despite the drawbacks in component 1.

Coherence between AWPB and Implementation

Rating: 4

Previous rating: 3

Justification of rating

The project AWPB was developed in a participatory manner involving all Implementing Partners. With the exception of activities related to the DBZ Line of Credit (LoC) that are yet to take off, AMIZ activities, implementation of most of the other activities identified during the year in relation to the expected project outputs, were started, and some have been completed, while some are still ongoing and expected to be completed by the end of the year. The project will review and update the AWPB to incorporate proposals made by the MTR team, as well as those emerging from the current mission, to ensure coherence in budget and work towards attaining target outputs and outcomes.

AWPB Inputs and Outputs Review and Implementation Progress

The AWPB is prepared with full participation of the implementing partners. Partners submit the respective AWPBs which are then consolidated at project level into the overall RUFEP AWPB. Individual partner AWPBs however require improvements in ensuring adequate alignment, accuracy and consistency in units for measurement of project outputs. By the time of the mission most of the identified activities during the year were still ongoing, with the exception of the activities related to the implementation of the Line of Credit by the DBZ which are yet to take off and are still being firmed out. There was also slow uptake of grants under window 1 of the IOF as the thresholds were not very attractive to the would-be beneficiary institutions. The MTR mission had recommended revisions in the thresholds of grants under window 1 and window 3. The revisions are expected to result in an increased uptake of grants under the IOF and hence increased implementation of the related activities in the AWPB.

Performance of M&E System

Rating: 4

Previous rating: 5

Justification of rating

Although the project has developed a Monitoring and Evaluation Plan, its use and reference during implementation could be enhanced with a detailed indicator profile and a detailed results measurement matrix to guide periodic assessments of project results. An Outcome Survey is yet to be carried out by the project to assess the level of project results. The MIS meant to complement the M&E system has suffered operational inefficiencies in relation to data exchange, limited capacities and frequent staff turnovers in the M & E officers at IP level. A manual Excel data base whose use could be enhanced with the development of simpler data collection forms at the IP level is currently being maintained by the project. The M&E function needs to be reinforced with a dedicated Data Management Assistant to minimise gaps in the MIS.

M&E System Review

The foundation for the Project M & E system is the Logical Framework. The Logframe was revised during implementation, to ensure alignment and clarity in the measurement of results. The revisions however resulted into significant changes in the scope of measurement in relation to the project development objective and interventions under the project components. Hence another revision of the logframe should be done that would ensure a much clearer focus on results and alignment to the development objective as well as to the interventions carried out by the programme. Once completed, project management should ensure that there is an increased focus on the monitoring of outputs and outcomes as opposed to monitoring mainly activities. An annual outcome survey has been planned and ToR have been shared with the mission. Project Management is encouraged to expedite the planned survey and to regularly carry out such surveys to be able to assess progress towards attainment of project outcomes.

The project Management developed an M & E Plan that guides M & E processes of the project. The plan however lacks a detailed indicator profile and a Results measurement framework that would guide periodic assessments of project results. The M & E plan thus needs to be updated with the indicator profile and results measurement framework in line with the final revised logframe at midterm. In addition the M & E plan should be referenced to improve annual planning and to ensure a focus on project results. Hence more structured outcome surveys and other thematic studies should be incorporated into the plan.

The M & E system is also enhanced with an Ms Access based MIS developed early on in project implementation to support regular data collection and monitoring. The MIS however suffered operational challenges related to data exchange between the PMU and Implementing Partners as well as limited capacities at partner levels in ensuring regular updates to the system. The PMU has since reverted to the use of a manual Excel Database to minimise data gaps. Simpler data collection forms will need to be developed and partner staff oriented on their use to improve on the accuracy and efficiency of the data collected and minimise data gaps

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

Rating: 4

Previous rating: 4

Justification of rating

RUFEP was not subject to SECAP at design that was approved by IFAD in 2014. However, the project targeting strategy includes priorities for women and youth. Climate change, nutrition and indigenous peoples were not explicitly targeted in the design. Social, environmental, climate adaptation and sustainability considerations have been included in the AWPB activity planning for component 1 as well as in the grant approval mechanism for component 2 Innovation Outreach Facility (IOF).

SECAP Review

RUFEP is an Environmental and Social Category B project. The implementation of RUFEP field activities is mostly through the component 2 IOF small grants to implementing partners, with maximum value of USD200.000 per sub-project and with focus on smallholder Rural Finance solutions. There are no large infrastructure or industrial investments that would have negative impact on communities. For the IOF grant making, all proposals go through a rigid assessment and selection mechanism. Social and geographical targeting strategy is required for each grant, and a specific Gender Equality Assessment is conducted prior to any positive grant decision. Positive community building as well as climate change adaptation processes are promoted by RUFEP as noted in respective sections above.

d. Financial Management & Execution

Disbursement by financier

Type	Name	Current Amount	Disbursed Amount	Actual Rate
Domestic Financing breakdown	Domestic Financing Institutions	\$3,298,493		
	National Government	\$2,612,804		
Co-financing breakdown,	Spanish Fund	\$11,987,759	\$5,856,268	57.1%

Acceptable Disbursement Rate

Rating: 4

Previous rating: 3

Justification of rating

Project is in its 5th year of implementation and its disbursement rate is 53.93%. There have not been any extensions.

Main issues

By June 2019, disbursement performance has been moderately satisfactory at 54%. As of 16 June 2019, the IFAD loan was 53.93% disbursed up to WA 28 (SDR 2.97 million of SDR 5.5 million allocated) including the authorised allocation of SDR 0.43 million. This leaves a balance of SDR 2.53 million equivalents of approximately US\$3.52 million to be accessed by the Project from IFAD. As of the same date, the Spanish Trust Fund was 54.61% disbursed up to WA 21 (EUR 4.92 million of EUR 9 million) including the authorised allocation of EUR 0.82 million. This leaves a balance of EUR 4.08 million equivalents of approximately US\$4.61 million to be accessed by the project from IFAD. Actual utilization for the IFAD and

STF loans was 44% and 43% respectively. As compared to the disbursement rate reported in the previous Mission held in November 2018, there has been marked increase in the disbursement rates for both the IFAD loan and Spanish Trust Fund loan; from 40.77% to 53.93% for the IFAD loan through 6 WAs and from 50.59% to 54.61% for the Spanish Trust Fund loan through 3 WAs.

As reported in the Mid Term Report (MTR), it was noted that due to depreciation of the Dollar and the Euro against the SDR, it is expected that the Programme will have a shortfall in funds in Dollar terms of approximately US\$2.42 million as compared to the design target. It is therefore important that GRZ and IFAD put this into consideration and find ways of covering up this deficit to ensure achievement of Programme objectives. There is however need to have a complete economic analysis to determine the implications of the above situation vis-à-vis appreciation of the USD against the ZMW and inflation.

From the analysis of the proposed budget for the post MTR period, it was noted that some categories require additional resources while others have excess. Furthermore, considering the STF loan disbursements, it is noted that category I: Equipment and materials, and category II; Training, have exceeded the original allocation by 59.2% and 7.2% respectively. This therefore means a reallocation of funds will be necessary to avoid a situation where funds may not be available for some planned activities. At MTR, a comprehensive analysis was done and the Mission has reviewed the same and agrees with the conclusions made about reallocation. The Programme should therefore have a reallocation request taken through its management structures and there after submitted to IFAD for approval.

Fiduciary aspects

Quality of Financial Management

Rating: 4

Previous rating: 5

Justification of rating

The PCO finance and accounts department continues to be adequately staffed, however, the FC joined on the 15 April 2019 after resignation of the former FC in January 2019. The new FC is professionally qualified and experienced in IFAD procedures. The financial control environment is strong with well inbuilt segregation of duties. Bank reconciliations are done apart from the difference noted in the DA reconciliation of US\$27,877.34 which is being investigated. The PCO continued to use SAGE to capture data and prepare project specific reports. Internal controls is well established however there were a gap between the resignation of the old FC and the new one. The lack of an alternate signatory was mitigated by including the Monitoring and Evaluation Specialist among the signatories.

Main issues

Accounting. The project continues to use SAGE Evolution to record transactions in accordance with IPSAS cash basis and by the time of the Mission, as at May 30th, 2019, transactions were posted. The system is well set up to produce the required in-depth financial reporting to fulfil both programme and IFAD requirements.

Budgeting. The budget controls continue to be adequate; the 2019 budget is posted in SAGE and budget to actual reports are generated from the system at any time when required.

Budget execution. The 2018 AWPB amounted to US\$8.25 million; as at 31 December 2018 the budget to actual analysis shows that US\$5.60 million or 68% had been spent against budget. For the fiscal year 2019, budget to actual analysis up to 31 May 2019 shows that out of the planned total budget of US\$8.62 million, only US\$1.20 or 14% has been spent. Component 1 and 2 have both only achieved execution of 10% while component 3 is at 37%.

Internal controls and Segregation of duties. As noted in previous Missions, the PCO has sufficient level of segregation of duties and internal controls are well set up to ensure that funds are spent for the intended purposes and with due respect of economy and efficiency. By the time of the last Mission, the PCO was in the process of making improvements on the Financial Manual; this was completed, presented to the Programme Steering Committee for review and was thereafter cleared by IFAD in April 2019.

Funds flow. Flow of funds has been efficient and no challenges have been reported.

Supervision and Oversight of SPs and IPs Oversight of SPs and IPs has been strengthened as recommended in the previous Missions. This has been achieved through: (a) revision of the internal audit ToRs to include financial monitoring and review of partner transactions; actual field work for the period ended June 2018 was completed and report issued; (b) external auditors have also been actively engaged in partner financial monitoring and by the time of the mission, different teams of external auditors had been dispatched to different regions for the same; and (c) staff are also actively involved in partner financial monitoring through routine field visits. To a large extent the preliminary internal audits reports show that partners have adequate systems and internal controls and that these systems were operating effectively and inline with the financing agreement. The Programme management is encouraged to closely follow up with internal audit to ensure that the plan of Partner follow up is implemented as agreed.

Accounting standards and Financial Reporting. The PCO adopted IPSAS cash basis and are compliant with additional voluntary disclosures in the financial statements. SAGE Evolution is also enabling the required in-depth financial reporting including generation of IFRs.

Review of the Designated Account. The mission reviewed the designated account reconciliation and found that there was an unexplained difference of US\$ 27,877.34 which the FC was investigating. Preliminary findings indicate that part of this difference is due to exchange differences however the FC was to perform a thorough investigation and report thereafter.

Internal Audit. The last internal audit for PCO was for the period 1 July 2017 to 30 May 2018; in addition, Internal audit did a separate exercise for Partners where they visited 3 SPs and 17 IPs and looked at their books of accounts and systems up to the period ended June 2018. Notwithstanding the agreement reached with the Ministry that internal audit should be done after every six months, it has now taken more than a year without the same being executed. For internal audit to be effective, there should be regular visits done as per the originally agreed schedule. The mission therefore recommends that PCO Management should immediately follow up with the Ministry Internal Audit department to ensure that the internal audit exercise is started as soon as possible and going forward ensure that the agreed schedule of twice a year is strictly adhered to on a timely basis.

Statement of expenditure (SOEs) Spot check. A post-review of SOEs was done on WAs 22, 26 & 27 for the IFAD loan and WAs 21 & 22 for the Spanish grant. For the IFAD loan, the Mission reviewed items amounting to 86% for WA22, 58% for WA 26 and 44% for WA 27 while for the Spanish Trust Fund loan, 100% for WA 20 and 44% for WA 21 made from the SOE and the respective support documents. It was noted that all transactions reviewed are well supported and supporting documentation is filed in a chronological order, well referenced to both the AWPB and vouchers, enabling ease retrieval. It was however noted that for the VAT component of US\$438.72 in the transaction for payment of the SAGE licence renewal, voucher no. EFT 0105US\$, was claimed from IFAD. This is clearly an ineligible expense. The Programme should therefore put in place measures for double checking WAs to avoid such instances where ineligible expenses are included in WAs.

Agreed Action	Responsibility	Agreed Date
Financial Management & Execution		
Review of WAs Develop a system for double checking WAs to ensure only eligible expenses are claimed for from IFAD.	FAM	06/2019
Internal Audit Follow up with the Ministry Internal Audit to ensure the exercise is started as soon as possible and also ensure that in future, the agreed schedule of twice a year is implemented timely.	FAM	07/2019
Re-allocation request Submit a reallocation request to PSC for review and thereafter submit to IFAD for approval.	FAM	09/2019
Designated Account Reconciliation Investigate the difference in the designated account reconciliation and correct it accordingly.	FAM	10/2019

Quality and Timeliness of Audit

Rating: 5

Previous rating: 3

Justification of rating

Audit report timely prepared

Main issues

The audit was conducted by the Auditor General according INTOSAI. The report were timely received and the AG expressed an unqualified opinion Financial Statements, Statement of Expenditures and the operations of the Special Account.

The financial statements were prepared according to IPSAS cash basis of accounting; the FS are satisfactorily prepared and adequately disclose the financial performance of the project during the year; however, the following improvements are recommended in future reports:

- include list of assets;
- present amounts in USD (in local currency).

The ML presents a detailed description of issues affecting the project's programmatic (and financial) performance and internal controls. However, it lacks of a separate opinion on internal controls and follow up on previous year's recommendations.

Counterparts Funds	Rating: 6	Previous rating: 6
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Justification of rating

Cumulatively, the Programme has received in cash GRZ counterpart contribution of US\$0.3 million, or 11% of the financing agreement target of US\$2.6 million. Of the US\$0.3 million, actual cumulative posted expenditure to 31 May 2019 is US\$0.18 million leaving a cash balance of US\$0.12 million; this amount is utilised when paying for taxes as and when need arises.

Main issues

Government contribution is strictly for taxes paid and foregone; actual recognized expenditure as compared to the design target is very low because Partner services are VAT exempt and their bids/ contracts are generally silent on the treatment of taxes.

Participating Institutions have contributed US\$2.54 million which represents 76% of the total amount envisaged at appraisal of S\$3.3 million. This is a significant increase since last Mission from US\$1.2 to US\$2.54 million, due to full take off of implementation by most of the Partners.

Compliance with Loan Covenants	Rating: 5	Previous rating: 4
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Justification of rating

The Project has continued to comply with all loan covenants apart from Special Covenants 4 and 5, Schedule III of the FA which talks about submission of financial statements and audit of service providers.

Main issues

As reported in the previous Mission, the Programme was not sure whether the provisions of the FA in Special Covenants 4 and 5 Schedule III apply to both SPs and IPs given that some of the IPs are not legally bound to carry out external audits. The SPs are legally bound to carry out external audits however not all IPs have the same requirement. If required, the Programme may have to fund audits of the IPs which are not legally bound to carry out external audits. IFAD FMD and Legal department should give clarification on this matter.

Agreed Action	Responsibility	Agreed Date
Financial Management & Execution		
Audit and accounts of IPs IFAD FMD and legal to provide the final guidance regarding submission of accounts and audit of IPs	IFAD Finance Officer	10/2019
Audited accounts of SPs The programme should ensure that audited accounts of SPs are received and submitted to IFAD together with the Programme audited accounts as required.	FC	12/2019

Procurement

Procurement	Rating: 5	Previous rating: 5
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Justification of rating

Procurement processes are generally consistent with IFAD Procurement Guidelines, Zambia's Procurement Regulations and good procurement practices. Documentation and decisions are generally of good quality and application of procurement procedures is transparent. Both the 2019 procurement plan (PP) and the contract register shared with the mission comply with IFAD requirements and are kept updated. Procurement initiation is a streamlined process, starting with electronic requisitions and specifications/ToRs developed by the Programme. The solicitation documents reviewed are well drafted and fully compliant with Zambia's Procurement Regulations, but include domestic preferences – which are only allowed under ICB, according to IFAD Project Procurement Guidelines.

Procurement Review

Main Issues

The Programme is staffed with a full-time Procurement Specialist (PS). The PS participates in the drafting of the AWPB, thus allowing the preparation of a detailed and realistic PP. Both the 2019 PP and the contract register comply with IFAD requirements and are kept updated.

Procurement initiation is a streamlined process, starting with electronic requisitions and specifications/ToRs developed by the Programme. The solicitation documents reviewed are well drafted and fully compliant with Zambia's Procurement Regulations, but include domestic preferences – which are only allowed under ICB, according to IFAD Project Procurement Guidelines. Procurement processes also comply with Zambia's Procurement Regulations and are carried out with minimal delay from the Programme side. Evaluation reports are well structured and comprise preliminary, technical and financial evaluation. Conflict of interest declaration forms and score sheets for each member of the evaluation committee are also attached as appendixes. Delays are sometimes experienced with the approval of draft contracts by both the MoF and the MoJ.

Under component 1 and 2, grant beneficiaries (strategic and implementing partners) carry out their own procurement activities following good procurement practices. Before grant disbursement, the Programme holds a pre-implementation orientation which includes a procurement training. The Finance Officer and the PS also developed a thorough finance/procurement questionnaire to assess capacity of beneficiaries, and the results of said questionnaire determine the extent of procurement support/monitoring offered by the Programme to each beneficiary. Beneficiaries provide the Programme with a list of goods they will procure and the PS carries out periodic on-site visits to monitor/support implementation and to supply beneficiaries with procurement templates, as needed. Overall, according to the Programme, beneficiaries show adequate capacity, transparency and accountability.

The Programme keeps a complete and updated fixed asset register, but does not register assets of grant beneficiaries, with the exception of those delivered to the Rural Finance Unit of the MoF. The Programme therefore agreed to expand its fixed asset register to include assets procured by grant beneficiaries.

Each contract is assigned a contract manager from the Programme staff depending on technical expertise, but monitoring of performance/deliverables is carried out by the PO. In case of delays in performing the contract, the Programme follows up with the supplier/consultant, and in one case (i.e. procurement of storage unit shelving for PSU & RFU) it sent a formal communication to the supplier, threatening termination of the contract and setting a clear deadline for remedial action. The Programme does not currently employ a contract monitoring form, so payments and performance of each supplier/consultant are tracked manually. To improve monitoring, ToRs are currently being developed for procurement of a specialist to customize the SAGE procurement module to the Programme needs, thus allowing for improved and organized monitoring of performance, deliverables and payments. When ready, ToRs will be shared with IFAD for its No-Objection.

Agreed Action	Responsibility	Agreed Date
Financial Management & Execution		
Domestic preferences Apply domestic preferences only for ICB and never for NCB or Shopping.	PS	06/2019
Procurement of a specialist to customize the SAGE procurement module Submit ToRs for procurement of a SAGE specialist to IFAD for review and No-Objection.	PS	06/2019
Registration of assets procured by grant beneficiaries Expand RUFEP fixed asset register to include assets procured by grant beneficiaries.	PS	

F. Agreed Actions

Agreed Action	Responsibility	Agreed Date
Overview and Project Progress		
Outstanding Action items Follow up and close two outstanding issues from previous mission's action points	PC / IFAD	07/2019
Development Effectiveness		
Revise the Logframe Revise the project Logframe to ensure focus on measurement of outreach and extent of use of the Rural financial services and products promoted by the project rather than on the profitability of the FIs involved with promotion of these services	M & E Specialist	08/2019
Carry out Annual Outcome Surveys Undertake Annual Outcome surveys, starting with 2019, to systematically assess progress towards achievement of the development objective	M & E Specialist	11/2019
Financial Management & Execution		
Domestic preferences Apply domestic preferences only for ICB and never for NCB or Shopping.	PS	06/2019
Procurement of a specialist to customize the SAGE procurement module Submit ToRs for procurement of a SAGE specialist to IFAD for review and No-Objection.	PS	06/2019

Review of WAs Develop a system for double checking WAs to ensure only eligible expenses are claimed for from IFAD.	FAM	06/2019
Internal Audit Follow up with the Ministry Internal Audit to ensure the exercise is started as soon as possible and also ensure that in future, the agreed schedule of twice a year is implemented timely.	FAM	07/2019
Re-allocation request Submit a reallocation request to PSC for review and thereafter submit to IFAD for approval.	FAM	09/2019
Audit and accounts of IPs IFAD FMD and legal to provide the final guidance regarding submission of accounts and audit of IPs	IFAD Finance Officer	10/2019
Designated Account Reconciliation Investigate the difference in the designated account reconciliation and correct it accordingly.	FAM	10/2019
Audited accounts of SPs The programme should ensure that audited accounts of SPs are received and submitted to IFAD together with the Programme audited accounts as required.	FC	12/2019
Registration of assets procured by grant beneficiaries Expand RUFEP fixed asset register to include assets procured by grant beneficiaries.	PS	

Rural Finance Expansion Programme

Logical Framework

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2019)	Cumulative Result (2019)	Cumulative Result % (2019)	Source	Frequency	Responsibility	
Outreach	1.b Estimated corresponding total number of households members										
	Household members		35 000	700 000							
	1.a Corresponding number of households reached										
	Non-women-headed households		18 200	36 400							
	Women-headed households		51 800	103 600							
	Households		70 000	140 000							
	1 Persons receiving services promoted or supported by the project										
	Females		103 600	150 000							
	Males		155 400	150 000							
	Total number of persons receiving services		259 000	300 000							
Project Goal Improved livelihoods of the rural poor through sustainable economic growth	Increase in household asset ownership by at least 80% of the beneficiaries							Baseline / impact survey			Stable political and economic environment
	Increase										
	Solar	52.6									
	Radio	59									
	Television	39									
	Fridge	17									

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2019)	Cumulative Result (2019)	Cumulative Result % (2019)	Source	Frequency	Responsibility	
	Bicycle	59									
	Chicken/poultry	62									
	Goats	22									
	Cattle	23									
	Households with improved food security							Baseline / impact survey			
	Households	756	2 250	6 600							
Development Objective Increased access to and use of sustainable financial services by poor rural men, women and youth	1.2.5 Households reporting using rural financial services										
	Males										
	Females										
	Young										
	Proportion of rural and urban individuals (who rely on own business) who do not have access to financial services										
	Percentage	73	68	63							
	People registered and using money transfer services at rural outlets of banks/FSPs										
	Females		20 000	100 000							
	Males		20 000	100 000							
	Households reporting using rural financial services										
	Males	57.4	60	64							
	Females	61.2	63	67							
	Young										
	Outcome 1. Increased outreach of rural financial services offered by MFIs and other FSPs	Banks/FSPs operating new rural agent networks in un-banked and under-banked rural areas							BOZ data (licensing)		

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2019)	Cumulative Result (2019)	Cumulative Result % (2019)	Source	Frequency	Responsibility	
	Banks		2	5		12	240				
Output 1.2 Policy/regulatory framework developed that is conducive for financial service delivery in rural area	Policy 1. Number of policy-relevant knowledge products completed							BOZ/MoF			Commitment at macro level to improve the rural finance sub-sector
	Law documents		1	2							
	1.1.6 Financial service providers supported in delivering outreach strategies, financial products and services to rural areas										
	Service providers		15	20							
Output 1.3 Wholesale lending to FSPs / MFIs / Value Chain Actors for on-lending in the agricultural sector	Loans provided to FSPs / MFIs for agricultural finance (number)							DBZ reports			Loans used by MFIs / FSPs to increase outreach and agricultural lending
	Loans	0	1	5							
Outcome 2. Improved performance of MFIs and other FSPs	1.2.6 Partner financial service providers with portfolio-at-risk ≥30 days below 5%										Growing demand by members for CBFi services
	Percentage		30	60							
	1.2.7 Partner financial services providers with operational self- sufficiency above 100%										
	Percentage		25	50							
Output 2.1 Apex Organizations operational and providing effective support to MFIs and CBFi Promoters	Members of existing CBFIs supported by SaveNet members										Sufficient demand for services offered by Apex Organizations
	People		100 000	200 000							
Outcome 3. Improved service delivery by CBFIs	Increase in average value of CBFi savings							SaveNet			Growing demand by members for CBFi services
	Increase		7	15							
	Percentage increase in the value of CBFi loan portfolio							SaveNet			
	Percentage		4	10							

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2019)	Cumulative Result (2019)	Cumulative Result % (2019)	Source	Frequency	Responsibility	
Output 3.1 Capacity of MFIs, other FSPs and CBFi Promoters strengthened	Staff of financial institutions and service providers trained (M/F)							MFI / FSP / CBFi promoter reports			Increased capacity effectively reaches CBFIs
	Males		100	250							
	Females		100	250							
Outcome 4. New financial products/services/models adopted by the target group	Users of new financial products/services							mplementing partner reports			New products / services support growth and outreach of MFIs / other FSPs
	Users		7 000	20 000		2 914	14.6				
	Users of new financial delivery models							mplementing partner reports			
	Users		7 000	20 000							
Output 4.1 Effectively operating IOF established to test and roll out financial products/services and delivery mechanisms for rural areas and agriculture	Proportion of grant initiatives completed as per the grant agreement										Institutions willing and able to pilot and roll out new products / services exist
	Percentage		35	70							
Output 4.2 CBFIs strengthened through matching grants and linked to financial services	CBFIs supported by the programme							CBFi Promoter reports			CBFi promoters effectively support CBFIs and facilitate linkages
	CBFIs		700	1 500							
	1.1.5 Persons in rural areas accessing financial services										
	Women in rural areas accessing financial services - savings		5 600	15 000							
	Men in rural areas accessing financial services - savings		8 400	15 000							
	CBFIs that have been linked to FSPs							CBFi Promoter reports			
	CBFi		7	20							

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2019)	Cumulative Result (2019)	Cumulative Result % (2019)	Source	Frequency	Responsibility	
	CBFIs that have started using at least one new financial product/service							CBFI Promoter reports			
	CBFIs		7	20							
Output 4.3 Financial products/services and delivery mechanisms established that target rural clients	New financial products, services and delivery models piloted/tested							Reports from implementing partners receiving grants			Sustained demand for new financial products / services
	Number		3	7							
	Financial products, services and delivery models targeted at rural clients rolled out or expanded							Reports from implementing partners receiving grants			
	Number		1	2							

Zambia

Rural Finance Expansion Programme

Supervision Report

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

Mission Dates: 03 - 14 June 2019
Document Date 05/08/2019
Project No. 1100001650
Report No. 5120-ZM

East and Southern Africa Division
Programme Management Department

Table 5A: Financial Performance by Financier (as at 31 May 2019)

Financier	Appraisal (USD '000)	Disbursements (USD '000)	% Disbursed
IFAD loan	8,416	4,177	49.63%
Spanish Trust Fund Loan	11,988	5,568	46.44%
Government of Zamba	2,613	300	11%
Participating Institutions/Beneficiaries	3,298	2,514	76%
Total	26,315	12,558	48%

Table5B: Financial Performance by Financier by Component as at 31 May 2019 (USD'000)

Component	IFAD Loan			Spanish Trust Fund Loan			Government			Participating Institutions			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
Strategic Partnerships	4,216	1,407	33%	3,989	654	16%	1,743	76	4%	1,138	37	3%	11,086	2,174	20%
Innovation and Outreach Facility	4,200	2,206	53%	2,690	899	33%	-	5	0%	2,160	2,477	115%	9,050	5,587	62%
Knowledge Management and Programme Implementation	-	87	0%	5,309	3,658	69%	869	99	11%	-	-	0%	6,178	3,844	62%
TOTAL	8,416	3,700	44%	11,988	5,211	43%	2,613	180	7%	3,298	2,514	76%	26,315	11,605	44%

IFAD Loan (SDR)

Category	Category Description	Original allocation	Actual disbursement up to WA 28	WA Pending no. 29	Balance	% Disbursed
I	Equipment and Materials	180,000.00	123,379.02	-	56,620.98	68.54%
II	Training	1,320,000.00	570,777.92	-	749,222.08	43.24%
III	Consultancies	560,000.00	383,688.63	-	176,311.37	68.52%
IV	Grants and Subsidies	2,470,000.00	1,440,148.76	-	1,029,851.24	58.31%
V	Operating Costs	420,000.00	16,846.10	-	403,153.90	4.01%
	Advance Account	-	205,284.01	-	(205,284.01)	-
	Unallocated	550,000.00	-	-	550,000.00	-
	Authorised allocation	-	225,982.96	-	(225,982.96)	-
Total		5,500,000.00	2,966,107.40	0.00	2,533,892.60	53.93%

Spanish Trust Fund Loan (EURO)

Category	Category Description	Original allocation	Actual disbursement up to WA 21	WA Pending no. 22	Balance	% Disbursed
I	Equipment and Materials	160,000	254,718.74	-	(94,718.74)	159.20%
II	Training	470,000	503,854.22	-	(33,854.22)	107.20%
III	Consultancies	3,000,000	677,706.07	-	2,322,293.93	22.59%
IV	Grants and Subsidies	1,800,000	751,353.62	-	1,048,646.38	41.74%
V	Operating Costs	2,670,000	1,904,210.35	-	765,789.65	71.32%
	Unallocated	900,000	-	-	900,000.00	-
	Authorised allocation	-	823,421.77	-	(823,421.77)	-
Total		9,000,000	4,915,264.77	0.00	4,084,735.23	54.61%

Zambia

Rural Finance Expansion Programme

Supervision Report

Appendix 2: Physical progress measured against AWP&B

Mission Dates: 03 - 14 June 2019
Document Date 05/08/2019
Project No. 1100001650
Report No. 5120-ZM

East and Southern Africa Division
Programme Management Department

Appendix 2: Physical progress measured against AWP&B

DESCRIPTION	Results	PHYSICAL PROGRESS							COMMENTS
Component/Output/ Activities/Inputs	Indicators	Unit	Current Year (2018)			Cumulative			
			2019 AWPB Target	Actual	% of AWPB 2019	Programme Revised Target	Result	% of Programme target	
Component 1: Strategic Partnerships									
Output 1.1: A new framework for regulation and supervision of Agency banking/ Mobile banking is introduced and rolled out.	Number of Banks/FSPs are operating rural agent networks with at least 30 agency outlets in un- and under-Banked rural areas.	Number	4	0	0%	5	12	240%	A total of 994 outlets have been established in the project area under the 12 FSPs. They include ETP- has 3; Agora Microfinance-760 (it is a super-agent); Micro Loan Foundation 16; Vitalite zambia Limited-4, Rent to Own-209, Cotton Association of Zambia- Pulse Financial Services (EFC)- , FINCA Zambia-, World Vision Zambia- , Vision Fund Zambia- New Apostolic Church Relief Organisation (NACRO) - ,Supa Moto- and Zoon – 2 out of 5 operational. Four more FSPs including ZNBS, Speedpay, Kasama Christian Care Community and ZAZU Africa are yet to roll out their products.
	Activities								
	Carry out Banking and Supervision inspections to the remaining two FSPs	Reports	2	0	0%				The two FSPs will be inspected prior to being issued with the operating Licenses for Agent Banking
Carry out ToT of BOZ staff to be able to provide oversight support to MFIs	Persons	15	0	0%				15 officers have been earmarked for training in microfinance, rural and agriculture finance and financial inclusion policy.	

DESCRIPTION	Results	PHYSICAL PROGRESS							COMMENTS
Component/Output/ Activities/Inputs	Indicators	Unit	Current Year (2018)			Cumulative			
			2019 AWPB Target	Actual	% of AWPB 2019	Programme Revised Target	Result	% of Programme target	
	Carry out a review of the regulatory framework of agency banking	Report	1	0	0%				The Department of Economics of the BoZ in collaboration with the University of Zambia will carry out the assessment of the regulatory framework with a view of updating the current regulations for agency banking.
	Carry out a review of the National Financial Education Strategy	Report	1	0	0%				The review is ongoing. Two meetings have so far been conducted
	Carry out sensitization campaigns on Financial Literacy and Financial Education	Report	3	0	0%				Activities are ongoing in form of Meetings, Radio Talk shows, Mass media campaigns.
	Number of new accounts opened and maintained by clients at new rural branches/agents of Banks/FIs/MFIs and number of rural/urban people registered and using money transfer services.	Number	Accounts:180 00; Registered Users: 45,000	2016 Registered users 33, 111 - Male-17479; Female 15,615; Youth 17	11.2%, Users 73.6%	New rural branch accounts - 100,000: Rural/ Urban People Registered for mobile money transfers-200,000	Accounts-3,152 ; Registered mobile money users-92,861 (38,141 Females:54,703 Males)	Accounts: 3.2%; Registered Mobile Money Users : 46.4%	The low outreach is attributed to the difficulty in accessing banks/MFIs due to the long distances involved. Therefore there is a tendency for people to go for mobile money transactions because they are easier to use.
	Activities								
	Carry out sensitization campaigns for promotion of mobile banking and linkage to banks	Reports	20	0	0%				The sensitization and mobilization campaigns are aimed at promoting the linkage and usage of mobile money transfer
	Recruit and Train agents for mobile transfers	Agents	680	776	114%				The response towards the mobile money transfers has been overwhelming

DESCRIPTION	Results	PHYSICAL PROGRESS							COMMENTS
Component/Output/ Activities/Inputs	Indicators	Unit	Current Year (2018)			Cumulative			
			2019 AWPB Target	Actual	% of AWPB 2019	Programme Revised Target	Result	% of Programme target	
	Facilitate the integration of mobile money platforms into normal operations of FSPs	Number	4	2	50%				Funds have been disbursed to two of the four partners to be supported with the integration in 2019. Interface and Integration completed for ZNBS while Speed Pay is in the process of getting licensed by the Central Bank. Disbursement to the remaining two FSPs are being processed
Output 2: Licensed and deposit taking MFIs have access to a line of credit (LoC) from DBZ for investments in the agricultural sector.	Operating manuals for the refinance facility developed by DBZ approved by the BOZ	Manuals	2	0	0%	2	0	0%	Two manuals have been planned in 2019: one on DBZ Gender Policy and another on Re-finance systems in agricultural Lending. The focus in 2019 is to review the draft gender policy manual developed in 2018 as well as develop the refinance systems manual in 2019
	Number of Commercial banks and MFIs that access LoC from DBZ	Number	6	0	0%	6	0	0%	The number of production based MFIs involved dropped from 8 to 6. Progress against this output awaits the finalization of the refinancing manual and subsequent trainings of relevant staff. In addition, the funds for the LoC have to be earmarked by DBZ for this purpose. An estimated USD 2.5M setup under the RFP is expected to be used by DBZ initially.
	Number of FSPs accessing LoC who have increased their agriculture portfolio by at least 10%	Number	6	0	0%	6	0	0%	This awaits the availability of funds under the LoC

DESCRIPTION	Results	PHYSICAL PROGRESS							COMMENTS
Component/Output/ Activities/Inputs	Indicators	Unit	Current Year (2018)			Cumulative			
			2019 AWPB Target	Actual	% of AWPB 2019	Programme Revised Target	Result	% of Programme target	
	Amount of Money (USD) disbursed by DBZ to the FSPs lending to agriculture	USD(Million)	6	0	0%	6	0	0%	This awaits the availability of funds under the LoC
	Activities								
	Recruit external reviewer for the Gender Policy Manual	Reviewer	1	0	0%				Procurement process has been initiated
	Recruit a consultant to develop the Agricultural Refinancing Manual	Consultant	1	1	100%				Consultant recruited, and first draft produced, currently under review
	Organise a sensitization workshop for MFIs and FSPs on DBZ Financial Products for the Rural Agricultural Sector	Workshop	1	0	0%				The workshop awaits the finalization and printing of the Refinancing Manual.
	Train DBZ staff in rural and agricultural finance	Staff	4	0	0%				Staff will be trained on the rural and agricultural including attaching some of them to Tanzania Development Bank
Output 3: New CBFIs have been created and existing ones strengthened and operate sustainably - being monitored by SaveNet.	Number of newly formed CBFIs and existing CBFIs strengthened	Number	New CBFIs-; New Members: ; Old CBFIs- ; Old Members-			New CBFIs- 1500; New Members: 30,000; Old CBFIs- 1000; Old Members- 20,000	New CBFIs- 2,725; New Members:13,625 ; Old CBFIs- ; Old Members-	New CBFIs- 182%; New Members:45% ; Old CBFIs- ; Old Members-	
	Activities								
	Identify and train field agents to cascade the training on standardised savings methodology	Number of Field agents		10					
	Cascade the Training on standardised savings methodology to the CBFIs	New and Old CBFIs	New CBFIs-; Old CBFIs Total CBFIs:	0					

DESCRIPTION	Results	PHYSICAL PROGRESS							COMMENTS
Component/Output/ Activities/Inputs	Indicators	Unit	Current Year (2018)			Cumulative			
			2019 AWPB Target	Actual	% of AWPB 2019	Programme Revised Target	Result	% of Programme target	
	Identify FSPs to work with CBFIs	Number	5	5	100%				1 Bank and 4 MFIs have been identified in the project area to work with the CBFIs - These will develop suitable demand driven financial products for the CBFIs attached to them.
	Proportion of newly formed and strengthened CBFIs that are operating strongly three years after creation and 20% formal linkages and retaining 60% original Membership	Percentage				Newly formed and operational after three years- 80%; Formal Linkages- 20%; Membership retention- 60%members	Newly formed and operational after three years- 0; Formal Linkages- 0; Membership retention-0 members		Information will be tracked on number of CBFIs linked to FSPs, Number of CBFIs Operational After creation; Number of CBFIs retaining atleast 60% of membership after 3 years
	Number of CBFIs using the financial products and services and/or Proportion of CBF members using credit versus non-credit products and services.	Number & Percentage	Number of CBFIs-; Proportion of CBF members using Credit Vs Non-Credit Products(Savings and Insurance)-			Number of CBFIs-750 (New and Old); 40% of CBF members using Credit Vs Non-Credit Products(Savings and Insurance)-			An estimated 30% of the (1500 new and 1000old CBFIs) will be using financial products provided by the FSPs
	Activities								
	Carry out monitoring on the CBFIs to assess performance in terms of linkage to FSPs and	Number of CBFIs	New CBFIs-; New Members- ; Old CBFIs- ; Old Members-						

DESCRIPTION	Results	PHYSICAL PROGRESS							COMMENTS
Component/Output/ Activities/Inputs	Indicators	Unit	Current Year (2018)			Cumulative			
			2019 AWPB Target	Actual	% of AWPB 2019	Programme Revised Target	Result	% of Programme target	
	Facilitate member organizations to pilot use of Mobile phones for savings	Number							
Output 4: New and existing Institutional frameworks are strengthened at Meso level to support the FSPs to deliver services to rural areas	RFU created in the MoF (supported by RUFEP and MoF) and has rolled out the implementation of RFPS and number of staff allocated to RFU increased.	RFU; RFPS; RFU Staff				RFU-1; RFPS-1; RFU Staff-9	RFU-1; RFPS-1; RFU Staff-9	100%	RFU to coordinate and monitor implementation of rural finance activities under the RFPS
	Activities								
	Carry out training for the RFU staff on the implementation of the RFP and Strategy	Persons	9	0	0%				All 9 staff will be trained in various thematic areas. So far 8 officers underwent training in financial education, financial inclusion and rural development. The training earmarked for 2019 will largely focus on microfinance
	Disseminate the RFPS to stakeholders	Copies	400		0%				the RFPS will be disseminated to policy makers, and other Rural Finance Sector Players
	Carry out a review of existing regulations for the Rural Finance sector	Report	1	0	0%				Preliminary review activities have commenced.
	RFU has taken lead and improved sector coordination, holding coordination meetings at least twice a year.	Reports	2	0	0%	14	2	14%	Two Meetings have been held by RFU
	Activities								
	Develop the RFU portal	Number	1	0	0%				

DESCRIPTION	Results	PHYSICAL PROGRESS							COMMENTS
Component/Output/ Activities/Inputs	Indicators	Unit	Current Year (2018)			Cumulative			
			2019 AWPB Target	Actual	% of AWPB 2019	Programme Revised Target	Result	% of Programme target	
	Facilitate review of the National Strategy for Financial Education II(NSFE II)	Strategy	1	1	100%				
	Organise sub working group meetings for the National Financial Inclusion Strategy (NFIS)	Meetings	4	2	50%				
	Organise a national level stakeholders meeting (Indaba) for Rural Finance sector	Meeting	1	0	0%				Expected participants include, academia, researchers, financial institutions, think tanks e.t.c
	Develop an M & E Framework for the Rural Finance Sector	Framework	1	0	0%				The RFU has commenced the process of developing the draft framework ensuring linkage to the National Development Monitoring Framework, which will then be reviewed by an external reviewer before adoption
	A strong Association of Micro Finance Institutions of Zambia (AMIZ) supporting the MFI industry with quarterly collection and dissemination of information on financial sector performance and market trends.	Quarterly Briefs	4		0%	28		0%	AMIZ will be expected to collect, analyze and disseminate information in form of briefs to the member MFIs. This intervention started implementation towards the end of 2018. Performance against this output was affected by inadequate capacity of the AMIZ to deliver services to its membership. Initial efforts have therefore been redirected towards building institutional capacity of AMIZ.
	Activities								
	Review, verify and Update database of member MFIs	Report	1	0	0%				AMIZ has developed a tool to be used in verification of the current status of its

DESCRIPTION	Results	PHYSICAL PROGRESS							COMMENTS
Component/Output/ Activities/Inputs	Indicators	Unit	Current Year (2018)			Cumulative			
			2019 AWPB Target	Actual	% of AWPB 2019	Programme Revised Target	Result	% of Programme target	
									members including their updated outreach. The tool is currently under review by the PCO.
	Review and Update draft policy documents for AMIZ	Policies	4	0	0%				Engagement of external consultants to facilitate the reviews is ongoing. The following policies will be reviewed: The draft Strategic Plan, Human Resource Manual, Financial Manual and Governance manual
	Carry out resource mobilisation drives	Reports	5	0	0%				1- Board meeting, 4 Advocacy and Lobby meetings with the BoZ with a focus on setting conditions for compelling MFIs to affiliate with AMIZ
	AMIZ/SaveNet organizing best practices quarterly courses for members on a cost share basis.	Courses	1	0	0%	8	1	13%	Trainings to be provided to members in various thematic areas including Agricultural Lending, Savings Mobilization, Making Insurance work for the poor, Microfinance Best Practices, Corporate Governance, Risk Management, Market Research and Strategic Planning. One course has been conducted on Applying a market systems approach to savings groups.
	AMIZ achieving at least 80% collection of dues and membership fees annually.	Percentage	10	0	0%	80	0	0%	AMIZ capacity building activities have only just commenced and monitoring this output should start by the end of the year
	Activities								
	Draft an M & E framework for assessment of the performance of AMIZ activities	Framework	1	0	0%				This activity has not yet commenced. It awaits the finalisation of the development of the AMIZ Strategic Plan

DESCRIPTION	Results	PHYSICAL PROGRESS							COMMENTS
Component/Output/ Activities/Inputs	Indicators	Unit	Current Year (2018)			Cumulative			
			2019 AWPB Target	Actual	% of AWPB 2019	Programme Revised Target	Result	% of Programme target	
	SaveNet created and facilitating coordination of CBFi industry development and linkage to international best practices.	Number	1	0	0%	1	0	0%	SaveNet set up in 2017, with a membership of 32 Development Organizations and an operational office based within Plan International in the interim. Plans are underway to setup the permanent premises for SaveNet and move it out of the premises of Plan International. There are plans to have SaveNet and AMIZ share the operational office space.
	Activities								
	Implement move of SaveNet operational office from Plan International	Number	1	0	0%				SaveNet offices to be moved by end of June. Space has already been identified.
	Develop a website for facilitating sharing of information with stakeholders	Website	1	1	100%				Website developed and launched in January 2019
	Develop an operational manual for SaveNET	Manual	1	0	0%				Finalisation of the manual expected to be achieved by July 2019
	Organise the annual general meeting of members	Minutes	1	0	0%				The annual general meeting will be held in October 2019
	Carry out awareness raising and mobilisation on SaveNet activities	Reports	4	0	0%				Mobilisation Meeting planned to be held in August 2019. In addition, a quarterly newsletter is planned to be produced and circulated to members and other stakeholders. There also plans for identification of CBFi Linkage Partners. In addition the network will develop a strategy for communication and advocacy

DESCRIPTION	Results	PHYSICAL PROGRESS							COMMENTS
Component/Output/ Activities/Inputs	Indicators	Unit	Current Year (2018)			Cumulative			
			2019 AWPB Target	Actual	% of AWPB 2019	Programme Revised Target	Result	% of Programme target	
	Carry out Monitoring and Supervision on the operations of the member activities visits to beneficiary CBFIs supported by SaveNET members	Reports	4	2	50%				These are expected to be quarterly monitoring activities
	Identify interested CBF Linkage partners	Partners	5	3	60%				Three partners have been identified to work with SaveNet on CBF Linkage activities. They include ZANACO, NATSAVE and Atlasmara Bank
	AMIZ/SaveNet Improved self-sufficiency	Institutions	2	0	0%	2	0	0%	Self Sufficiency is assessed on the basis of 100% OSS , presence Skilled Staff, Operational Office, Manuals
	Activities								
	Carry out monitoring and supervision to assess the performance of SaveNet and AMIZ	Reports	4	0	0%				The PCO holds quarterly performance review meetings with SaveNET and AMIZ where performance is discussed
Output 5: Staff of FSPs Apex institutions and other relevant institutions have received training and technical assistance on agricultural and rural finance	At least 2,000 participants have attended courses offered on agricultural and rural finance with RUFEP support by end of the 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).	Persons	100	0	0%	2000	14	0.7%	

DESCRIPTION	Results	PHYSICAL PROGRESS							COMMENTS
Component/Output/ Activities/Inputs	Indicators	Unit	Current Year (2018)			Cumulative			
			2019 AWPB Target	Actual	% of AWPB 2019	Programme Revised Target	Result	% of Programme target	
	Activities								
	Carry out training of master trainers under SaveNet	Persons	32	20	63%				To date 20 of the 32 Member organizations of SaveNet have been trained as master Trainers. The plan is to train all remaining 12 organizations by the end of the year.
	Carry out a training of CBFIs on the standardized savings methodology	Groups	320	1	0.31%				14 members of one of the expected 200 groups has been trained on the methodology. Each of the trained 20 Master trainers is expected in turn to train 10 groups making a total of 200 groups and an expected 4000 members
	60% of post-course monitoring of participating 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	Percentage				60		0%	Assessment on effectiveness of training yet to be done
	Activities								
	Carry out monitoring on beneficiaries of the rural financial services using the services	Number of Beneficiaries using the services							
Component 2: Innovation and Outreach Facility									

DESCRIPTION	Results	PHYSICAL PROGRESS							COMMENTS
Component/Output/ Activities/Inputs	Indicators	Unit	Current Year (2018)			Cumulative			
			2019 AWPB Target	Actual	% of AWPB 2019	Programme Revised Target	Result	% of Programme target	
Output 1: New and sustainable financial services and products targeted at rural clients tested and scaled up.	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 end of RUFEP.	Number				5	9	180%	The new financial products include savings product where beneficiaries in the CBFIs have been encouraged to open savings accounts with FSPs (both Banks and MFIs). The others are Group Loans, Digital Loans, Cash Outs, Cash-ins , Remittances (Sending) and Receiving and Payments Transfers (Person to Business Payments) and Person to Person Transfers
	Number of users of new financial products	Persons				190,000	2,914	1.5%	Savings accounts : - Group Loans:-, Digital Loans:-, Cash Outs:-, Cash-ins:- , Remittances -Sending:- Remittances Receiving and Payments Transfers (Person to Business Payments) and Person to Person Transfers
	The percentage of the unbanked rural and urban MSME is reduced by at least 10% from baseline of 2014 (Finscope Survey) to end of RUFEP	Percentage				10		0%	No results assessed at this stage
	At least 20% increase in the volume of transactions generated in the rural areas by the PFSP from baseline of 2014 Finscope survey	Percentage				20		0%	
	Activities								
	Orient staff of FSPs on new Financial Products	Persons							

DESCRIPTION	Results	PHYSICAL PROGRESS							COMMENTS
Component/Output/ Activities/Inputs	Indicators	Unit	Current Year (2018)			Cumulative			
			2019 AWPB Target	Actual	% of AWPB 2019	Programme Revised Target	Result	% of Programme target	
Output 2: IOF effectively operated to test Innovative financial products and delivery mechanisms for the agriculture and rural areas	At least 1500 mobile and bank agents registered and operating successfully.	Number				1500	994	66%	
	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 RUPEP	Number of Grants	20	0	0%	48	28	58%	The grants are awarded under three windows i.e. CBFI Linkage, Agency and Mobile Banking and Rural equity. The LoP Target is proposed to be scaled down to 48 grants from the original 154 grants, based on the available resources. It is also proposed that the project concentrates at the selling, appraising and awarding grants under window one, because that's where it will likely achieve high impact in terms of financial inclusion, higher outreach numbers and higher impact. Commitments have been made to 5 grantees in form of approved grants while it's proposed that new ones will be appraised as follows: Window one- 9; Window Two- 4 and Window Three- 2. The aim should be to appraise and make awards by the end of the year 2019.
	At least 10% matching contribution for window 1 and 3 and 50% contribution for window 2 Value of IOF support from the participating organizations								Currently the contributions are distributed as Window 1 & 3 - 10% and Window 2 as 40%

DESCRIPTION	Results	PHYSICAL PROGRESS							COMMENTS
Component/Output/ Activities/Inputs	Indicators	Unit	Current Year (2018)			Cumulative			
			2019 AWPB Target	Actual	% of AWPB 2019	Programme Revised Target	Result	% of Programme target	
	At least 20% CBFIs linked to formal FSPs for savings and other services such as credit lines					20		0%	Assessment not yet done
Component 3: Knowledge Management & Programme Implementation									
Output 1: Effective dissemination of information to stakeholders and effective management of Programme Implementation	At least one annual multi-stakeholder (micro, meso and macro level) workshop to share RUFEP experiences and plans	Reports	1	0	0%	7	2	29%	PCO to spearhead the organization of the meetings. One meeting planned for in 2019 which is normally combined with the AWPB process
	Specific events organized for dissemination organized for stakeholders (include workshops, publications, e-mails, conferences, websites, etc.)	Reports	5	0	0%	35	20	57%	This includes internal quarterly programme review meetings. A meeting is planned to orient M & E staff in partner institutions on simpler data collection tools
	PCO have developed/procured data collection and analysis tools such as PULSE	Reports				1	1	100%	PME MIS procured and installed. Operational efficiency of the system affected by limited capacity in the M & E function at partner institution level including frequent staff turnovers, and limited access requirements to the drop box pathway for data exchange between the PCO and partner institutions.
	PCO have collected, analysed and disseminated sector information to relevant stakeholders quarterly and annually	Reports							

DESCRIPTION	Results	PHYSICAL PROGRESS							COMMENTS
Component/Output/ Activities/Inputs	Indicators	Unit	Current Year (2018)			Cumulative			
			2019 AWPB Target	Actual	% of AWPB 2019	Programme Revised Target	Result	% of Programme target	
	PCO have prepared accurate quarterly and annual reports on time	Reports	5	2	40%	35	25	71%	
	At least 2,000 participants are reached by events organized for stakeholders.	Persons	6000	11000	183%	2000		0%	
	Website for RUFEP purposes created and updated at least thrice per year.	Website				1	1	100%	www.rufep.org.zm

Zambia

Rural Finance Expansion Programme

Supervision Report

Appendix 3: Compliance with legal covenants: status of implementation

Mission Dates: 03 - 14 June 2019
Document Date 05/08/2019
Project No. 1100001650
Report No. 5120-ZM

East and Southern Africa Division
Programme Management Department

Appendix 3: Compliance with legal covenants: status of implementation

<i>Section</i>	<i>Covenant</i>	<i>Target / Action Due Date</i>	<i>Compliance Status / Date</i>	<i>Remarks</i>
Section B6	There shall be one Designated Account opened in the bank of Zambia, for receiving and holding respectively the IFAD loan and the Trust Loan proceed in USD		Complied	
Section B7	There shall be a programme account in Zambian kwacha for Programme operations in a commercial bank acceptable to the Fund		Complied	
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 to precedent to withdrawal:		Complied	
(a)	The designated account and the 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	PIM revised and approved by all structures.
(f)	A standard separate financial management software acceptable to the Fund shall have been installed and operational	Precedent to withdrawal	Complied	Done and ok
Schedule 1				
Par 6	The PCO shall be established within the MoF for responsibilities for the daily management and coordination of all programme components and activities.		Complied	
Par 8	Programme Vetting Committee (PVC)		Complied	
Par 9	Performance-based grant agreements with each grant recipient financed by IOF facility		Complied	On-going activity

Par 10	The MoF shall enter into a MoU with BoZ and DBZ		Complied	
Par 11	Subsidiary Agreements: The Lead Programme Agency shall enter into an agreement/contract for services for each service provider for the implementation of the Programme		Complied	
Par 12	Mid-Term Review (MTR): a comprehensive MTR shall be conducted midway through the programme implementation		Complied	Done.
Schedule 3				
Par 4	<i>Financial Statements of Service Providers (SPs).</i> The Borrower shall ensure that the agreement/contract of service with each SP shall specify that the SP will make available to the Borrower, through the PCO, the statements of sources and uses of funds related to Programme activities under their respective responsibility in respect of each Fiscal Year (FY) within two (2) months of the end of each FY. The PCO shall attach such statements of sources and uses of funds to its own financial statement for subsequent submission to the Fund.		Partially fulfilled	To be clarified by IFAD.
Par 5	<i>Audit of Service Providers (SPs).</i> The Borrower shall ensure that each agreement/contract of service with each SP referred to in, paragraph 11, Section II of Schedule 1 hereto shall specify that the SP will appoint an external independent auditor to audit their financial statements relating to the Programme. These audit reports shall be submitted to the Borrower, Through the PCO, within five (5) months after the end of each Fiscal Year for subsequent submission to the Fund.			As above
Par 6	National and International Service Providers shall be recruited following a transparent competitive process		Complied	
Section 7.01 (b)	AWPB submitted to the Fund not later than 60 days before the beginning of the relevant year.		Complied	
Section 7.08 (a)	The LPA shall insure all goods and buildings used in the Project against such risks and in such amounts as shall be consistent with sound commercial practices.		Complied	
Section 7.08 (b)	The LPA shall insure the goods imported for the project which are financed by the financing		Complied	

Section 8.03 (a)	The LPA shall provide to the Fund periodic progress reports on the project		Complied	
Section 9.02	Financial Statements: the Borrower/Recipient shall deliver to the Fund detailed financial statements of the operations within 4 months of the end of each fiscal year.		Complied	
Section 9.03	Audit of Financial Statements: Within 6 months the Borrower shall submit audited Financial Statements to the Fund and reply to the management letter of the auditors within one month of receipt thereof.		Complied	