

Zambia

Rural Finance Expansion Programme Supervision Report

Mission Dates: 11 - 22 May, 2020

Document Date: 24/06/2020

Project No. 1100001650

Report No. 5439-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:	22/04/2020
Signing Date:	22/07/2014	Date of Last SIS Mission:	22/05/2020
Entry into Force Date:	22/07/2014	Number of SIS Missions:	9
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:	11 - 22 May, 2020
Days in the field:	Virtual Field Observations (remote mission due to COVID-19)
Mission composition:	Sauli Hurri, Rural Finance Specialist, Mission Team Leader Brian Kapotwe, Country Programme Officer, Deputy Team Leader Aissata Bangoura, Financial Management Specialist Ferdinand Sambulo, Procurement Specialist Stefania Gnoato, Social Inclusion Specialist Grace Nakanjakko, M&E and KM Specialist
Field sites visited:	Luapula Province: Mansa, Mwense and Chembe Districts, Mano, Mansa and Lukola Villages; Southern Province: Choma, Namwala and Monze Districts, Mbeza, Nchole, Bweengwa, Mooya and Mahiba Villages. Central Province: Chibombo and Mumbwa Districts, Shikwasha and Mumbwa Villages. Eastern Province: Lundazi, Chipata and Mfuwe Districts, Kakumba, Kasenga, Mfuwe Villages. Western Province: Kaoma and Senanga districts, Kaoma and Senanga Villages

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	4	Project Management	5
Effectiveness	4	Quality of Project Management	5
Targeting and Outreach	5	Knowledge Management	4
Gender equality & women's participation	5	Value for Money	5
Agricultural Productivity	4	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)	5

Sustainability and Scaling-up	5	Financial Management and Execution	5
Institutions and Policy Engagement	6	Acceptable Disbursement Rate	5
Partnership-building	5	Quality of Financial Management	5
Human and Social Capital and Empowerment	5	Quality and Timeliness of Audit	5
Quality of Beneficiary Participation	5	Counterparts Funds	5
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	5		

Relevance	5
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C. Mission Objectives and Key Conclusions

Background and Main Objective of the Mission

The Rural Finance Expansion Programme (RUFEP) became effective on 22nd July 2014, and it has an implementation period of eight (8) years. RUFEP total budget is USD 26.315 million, financed through IFAD loan of USD 8.416 million, Spanish Trust Fund (STF) loan of USD 11.988 million, Participating Institutions contribution of USD 3.29 million and Government of the Republic of Zambia (GRZ) contribution of USD 2.613 million. The overall development goal of the RUFEP is to improve livelihoods of the rural poor through sustainable economic growth. The Project Development Objective (PDO) is to increase access to and use of sustainable financial services by poor rural men, women and youth. The objectives are achieved through three components: (i) Strategic Partnerships (SP); (ii) Innovation and Outreach Facility (IOF) and (iii) Knowledge Management and Programme Implementation.

The IFAD Supervision Mission of RUFEP was undertaken in partnership with GRZ during 11 – 22 May 2020. The Mission objectives were to: (i) review RUFEP progress against its logical framework, annual work plan and budget, and previous IFAD mission recommendations, (ii) review RUFEP potential to achieve its development objective and goal, (iii) review RUFEP procurement plan and financial reports; and (iv) provide support on a needs basis in order to facilitate effective implementation.

Due to COVID-19 outbreak, the mission was implemented remotely. This included (i) detailed document reviews, (ii) field observation and beneficiary testimonies through videos, pictures and write-ups on local project progress, and (iii) a schedule of online meetings with the PCO, Ministry of Finance (MoF), and selected strategic and implementing partners. IFAD mission extends its sincere thanks to GoZ, RUFEP team and partners for all their preparations, kind support and time spent with the mission.

Key Mission Agreements and Conclusions

In the reporting period, RUFEP has made significant progress and enabled rural Zambians to access an array of financial services through implementing partners. The overall annual implementation progress is rated **satisfactory (5)**; and likelihood of achieving development targets is rated **moderately satisfactory (4)**. Summary of progress:

Component 1. Through its portfolio of 9 Strategic Partnerships, RUFEP has improved the rural finance environment in Zambia from various perspectives:

1. Established and consolidated the Rural Finance Unit under Ministry of Finance,
2. Completed a number of policy reviews including by the Bank of Zambia,
3. Prepared for the Finscope 5-yearly survey and a quarterly “mini-Finscope” survey,
4. Established and operationalized rural- and digital finance consumer protection mechanisms,
5. Developed and disseminated financial literacy training materials,
6. Provided technical assistance for MFI whole sale lending by Development Bank of Zambia,
7. Strengthened meso-level rural finance networks SaveNet and AMIZ,
8. Developed agriculture finance mechanisms for use by Financial Institutions.

Component 2. Through the well-functioning Innovation and Outreach Facility (IOF), RUFEP has made 44 matching grant investments, which sparked innovations and enabled rural outreach of financial services:

- IOF Window 1 has financed 11 projects to strengthen Community Based Financial Institutions (CBFIs), and build linkages between the CBFIs and formal financial sector. Total 588 CBFIs impacted with 19,044 members.
- IOF Window 2 has financed 22 projects on innovative rural outreach solutions of mobile banking including: (a) Mobile payment solutions, (b) Rural asset financing platforms, (c) Value chain mobile transaction platforms, (d) Off-grid energy delivery and payment platforms.
- Under IOF Window 3, RUFEP has financed 11 research and innovation pilot projects with the aim of understanding and unlocking potential financial solutions for rural development.

Disbursement progress. As at 30th April 2020, total disbursement of USD 17.74 million incurred from all financing sources, equal to 67% of total approved project cost. This includes disbursement levels of 73% by the IFAD loan, 60% by the STF Loan, 118% for Implementing Partners, and 18% for the Government of Zambia.

Main agreements. To further strengthen RUFEP implementation, the Programme Coordination Office and Steering Committee will pay special attention to the following challenges and actions:

1. Due to COVID-19, many project partners face severe challenges in achieving agreed project targets, as well as in their overall financial and operational sustainability. To address the challenges, RUFEP will 1. Follow its developed contingency plan for project implementation, and 2. In partnership with IFAD, seek to provide technical assistance to the BoZ Stimulus Facility to ensure rural outreach of the financing package.
2. The PCO will ensure that RUFEP impact is captured by the monitoring and evaluation system, as well as through thematic studies. Thematic studies will include but are not limited to: 1. Inclusive poverty reduction impact of RF

- solutions, 2. Agriculture development and Climate Change Adaptation impact of RF solutions, 3. Case studies on the method and impact of best performing RF solutions.
3. Regarding RUFEP Exit Strategy: RFU, AMIZ and SaveNet to develop medium- to long-term operational plans including budget, 2. PCO to identify those IOF implementing partners that have management and business viability challenges, and mobilize Business Development Services accordingly.
 4. To improve the government disbursement of its commitment to project costs, Ministry of Finance will make a proposal to IFAD

D. Overview and Project Progress

Component 1: Strategic Partnerships. Rated as **satisfactory(5)**. In overall, RUFEP has successfully established nine Strategic Partnerships (SP) to improve the overall rural finance sector enabling environment, for the respective technical area of each partner. Resources are allocated for each SP for their developed and proposed work plans. As detailed below, the SPs' implementation is on track with some exceptions and delays. Since March 2020, progress is being impacted by COVID-19 for each SP.

1. **The Rural Finance Unit (RFU)** of the Ministry of Finance was established with RUFEP support to oversee and guide Zambia Rural Finance sector development. It has a dedicated space in the ministry and is operational with 9 staff members. The unit also hosts the National Financial Inclusion Strategy SME Finance Sub Committee. The MoF has committed to the sustainability of RFU beyond RUFEP by readiness for an annual budgetary allocation, the scope of which however is yet to be confirmed. RFU is missing an actionable mid/long-term operational work plan linked to rural finance policy and strategy, and which will justify annual financing. The unit has implemented activities as follows: (i) engaged sector players exploring potential for partnerships, including leads with AfDB and GLZ, (ii) contributed to the launch of next 5-yearly Finscope Zambia survey, and negotiated with the Ministry of Labour to include a "mini-Finscope" into the quarterly Labour Survey, (iii) conducted sensitization workshops on Rural Finance Policy and Strategy, and (iv) with long delay, initiated development of RFU M&E framework.
2. **Bank of Zambia (BoZ)** key activities and respective achievements include: (i) To review the legal framework on Agency and Mobile Banking, a comprehensive evaluation report was done and policy review launched; (ii) To disseminate public information about digital banking and respective consumer protection, campaigns were held and complaints address is made known and effective; (iii) To promote the Movable Collateral Register established in partnership with PACRA, workshops and sensitization was implemented, however results are limited due to slow uptake by Financial Institutions, and (iv) A system was developed for gender disaggregated reporting by FIs. Additionally, the mission noted that BoZ is implementing a major COVID-19 Stimulus Fund for Zambia and agreed to explore potential IFAD technical assistance for its implementation.
3. **Development Bank of Zambia (DBZ)** activities include: (i) develop or refine rural/agriculture lending products including whole sale lending; (ii) develop or review its credit policies and procedures; (iii) train staff in post-disbursement monitoring and portfolio risk management; (iv) train staff in financial modelling and management; (v) conduct organisation re-modelling, (vi) develop gender and environmental policies and guidelines; and (vii) conduct a market study that confirms viability for a re-finance facility of agricultural term loans. The activities are on track for completion although risk of delay is foreseen due to COVID. Furthermore, DBZ has a strategy and pipeline for wholesale lending through MFIs, and is negotiating with AfDB on resources for its implementation. RUFEP's expected result through the TA is on track however the actual roll-out of Refinance Facility is beyond the project accountability.
4. **Association of Microfinance Institutions of Zambia (AMIZ)** has picked up the pace for implementation and focused its scope of implementation in view of the limited human resource capacities. In the last year, the accomplishment included: (i) completion of Code of Conduct document for its members; (ii) development of AMIZ Strategic Plan, the contents of which however are limited to environment and opportunity analysis, and needs to be complemented by an actionable medium- and long-term plan; (iii) MFI training was prepared for however due to COVID-19 it had to be postponed; (iv) policy advocacy to strengthen MFI position vis-à-vis government resource allocation, in particular the COVID-19 stimulus facility by BoZ; and finally (v) mobilization of additional membership, from 7 to 10 members.
5. **Savings-led Microfinance Network of Zambia (SaveNet).** Achievements from last supervision mission include; (i) organizational capacity assessment and approval of the SaveNet Strategic Plan, (ii) Capacity Building of Rural Finance Unit in SGs Model, (iii) drafting of guidelines for the collaboration with the Bank of Zambia, and (iv) signing of a Memorandum of Understanding (MoU) with Zanaco to roll out linkages of SGs to the Village Banking Product in rural areas of the country. All activities are on track but may be affected by the COVID-19 restrictions. SaveNet is to submit a revised action plan reflecting the impact of COVID-19 on 2020 activities and proposed mitigation measures.
6. **Ministry of Community Development and Social Services (MCDSS):** RUFEP supported upgrading of the MDCSS Server room. After upgrading the server, results include (i) a total of 28,242 Project beneficiaries have opened mobile money wallets while 6,183 have opened bank accounts; (ii) About 34,425 Supporting Women Livelihood (SWL) beneficiaries have received productive grant; (iii) three Payment Service Providers (PSPs) have engaged new agents in SWL districts to take their financial services closer to the beneficiaries. Starting with an initial 11 districts in 2017, a total of 51 districts are currently doing payment enrolment and payments in 2020. The

project is currently conducting an Impact Evaluation to assess the impact of all the interventions.

7. **Patents and Companies Registration Agency (PACRA):** In line with the project objective, PACRA carried out awareness and sensitization workshops in seven provinces namely, Lusaka, Central, Muchinga, Northern, Luapula, Eastern and Southern provinces. Presentations on the Corporate Insolvency Act No. 9 of 2017, the Companies Act No. 10 of 2017, Moveable Property Registry System and the benefits of having a registered entity were done while some financial institutions also conducted trainings on financial literacy. In 2020, some sensitisation workshops could not be conducted due to the COVID-19 pandemic. As a mitigation measure, the agency will share presentations via email and WhatsApp with FSPs and business associations.
8. **Competition and Consumer Protection Commission (CCPC)** sub-project is to identify and understand unfair trading practices faced by the rural poor in the agricultural and rural finance sector; strengthen financial inclusion and capability through financial education initiatives, and develop guidelines on financial consumer protection. In the period under review, CCPC has (i) completed a draft material Information Education and Communication package, (ii) conducted sensitization visits at schools and chiefdoms. As lesson learnt, the CCPC noted that in rural Zambia the information related to insurance services is most scarce, and that live radio is an overall effective channel to inform the public.
9. **Financial Sector Deepening Zambia (FSDZ)** sub-project aims to (i) support implementation of four Rural and Agricultural Finance (RAF) pilots by FSPs, (ii) support scaling up of 2 successful RAF pilots by FSPs, (iii) build financial capabilities of 36,000 smallholder farmers and 12,000 poor rural households; and (iv) raise awareness and understanding of RAF opportunities for 45 FSPs. FSDZ requested for a non-cost extension by 1 year to complete all activities, and with that the programme is on track to reach targets. The RAF initiatives supported are micro leasing at Rent-to-Own, advance cash payments at Alliance Gineries, invoice discounting and credit guarantee at Investrust Bank, financial education at Agora Microfinance Zambia and Zazu and the digital layby payment system.

Component 2: Innovation and Outreach Facility. Rated as The IOF is a matching grant facility with total budget of USD 6,890,000. Through a competitive selection methodology, the IOF makes 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.

Following recommendation by last IFAD mission, RUFEP has recruited a dedicated National Technical Officer to assess and categorize on-going grants to high, potential and weak performers, and to conduct and coordinate implementation support and coordinate documentation of the IOF success-models for scaling up. The National Technical Officer contract starts 1 June 2020.

IOF cumulative progress as of 31st March 2020: (i) Appropriate grant review and approval mechanism established and operational since 2016; (ii) 203 concept notes received at the PCO; (iii) 44 of the 47 grants approved [and] started implementing, 2 accepted grant offers but failed to sign the grant agreements and offers were withdrawn while 1 grant agreement was cancelled prior to disbursement for want of capacity on the part of the Implementing Partner following changed project circumstances; (iv) Grant commitments of USD 4,963,457 made which represents 72.04% of the facility; (v) Accumulated disbursements stood at USD4,040,924; (vi) Beneficiary contributions made are USD4,919,835 of which USD3,783,060 is cash and USD1,136,775 is in-kind ; (vii) grant pipeline of 10 additional proposals worth USD 786,091 is under preparation. With these, 83.4% IOF disbursement is projected by end of 2020.

The RUFEP logical framework has indicators to measure IOF outcomes. The most relevant target indicators and the accumulated achievement through the implementation of grant portfolio is as follows:

- 5 banks/FSPs operating new rural agent networks; Achievement: 16
- 850 service points registered and operational; Achievement: 2493
- New financial products and delivery models operational. Achievement: 14
- 20 CBFIs linked to FSPs and use a new product. Achievement: 312
- Existing CBFIs strengthened. Achievement: 588 CBFIs with 19,044 members

The IOF grants are made in three windows that each have distinct objectives. (i) Window 1 aims to support Community Based Financial Institutions (CBFIs) linkages. Under this window, 11 grants have been made in value of USD 707,831. The W1 sub-projects follow a similar approach, building on existing CBFIs development with aim to link them to financial institutions, (ii) Window 2 on Agency and Mobile Banking has made a total 22 grants in value of USD 3,945,373. 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 11 grants in total value of USD 310,253. These were research and innovation pilot projects with the aim to understand and unlock potential financial solutions for rural development such as SACCOs, new digital money applications, rural housing finance, customary land documentation, integrated energy and livelihood development, insurance, livestock financing and warehouse receipt system. See technical background paper below in this report for a full list and summary descriptions of IOF grants.

IOF challenges: (i) The grant agreement pipeline for W1 and W2 to be completed by end-2020 to allow at least 1-year implementation period for each sub-project. Any resource allocation remaining after that deadline will be reallocated to

other components or otherwise to short research grants under W3; (ii) PCO has been recruiting a national technical officer for two major tasks: 1. Identify IOF partners with business viability challenges and coordinate BDS support to resolve issues, and 2. coordinate collection of livelihood impact data from the implemented IOF models. These two actions are delayed and need to commence urgently after the national technical officer on-boarding in June 2020.

Agreed Action	Responsibility	Agreed Date
Outstanding Action items Follow up and close two outstanding issues from previous mission's action points	PC / IFAD	07/2019
Additional BDS support Identify IOF partners with management capacity gaps and business viability challenges, and mobilize BDS support to resolve issues.	PCO	10/2020
Strategic Partners' exit strategy Project exit strategy operationalized through medium- to long-term operational plans for RFU, and through operational and strategic plan for AMIZ and SaveNet. These will include budgetary and financing plan after RUFEP support.	PCO	11/2020
Complete the IOF grant agreement pipeline Complete the IOF grant agreement pipeline by end-2020. For 2021, move any remaining resources to other components or to short research grants under W3.	PCO	12/2020
Document IOF impact Document information on livelihood impact by the implemented IOF models through: (i) M&E system disaggregated outreach reports from IPs, and (ii) case studies on livelihood impact, by IPs and by PCO. ONGOING	PCO	12/2020
Policy Environment Results Carry out a case study to analyse the changes in the policy environment as a result of RUFEP interventions.	PCO	03/2021

E. Project implementation

a. Development Effectiveness

Effectiveness and Developmental Focus

Effectiveness

Rating: 4

Previous rating: 4

Justification of rating

The project development objective will likely be met as demonstrated by the increase in the range of financial products and services delivered by the programme through the strategic partnerships as well as the activities of the Innovation Outreach Fund (IOF). Outreach of these products and services has increased significantly mainly through the Electronic and Mobile money transfer services as well as Agent banking and the financial impact is visible. The observed social impact of these products and services however cannot easily be quantifiable due to limited statistics available and delayed planned Annual Outcome Survey. The PCO needs to systematically capture outcomes and impact of these interventions through structured surveys to enable objective assessments.

Log-Frame Analysis & Main Issues of Effectiveness

The planned Annual Outcome Survey has been delayed due to the health and travel restrictions imposed as a result of the COVID-19 pandemic. Through programme reports and video presentations, the mission observed a significant increase in the outreach of financial products and services supported by RUFEP to the target population, mainly through Electronic and Mobile money transfer services (accessed by 25,628 clients) and Agent banking services (accessed by 94,910 clients). A total of 236,206 (137,727 females and 98,479 males) beneficiaries are estimated to have been reached directly through project services. With these, the total accumulated outreach of RUFEP is to approximately 996,750 household members.

The number of IOF grants awarded increased from 28 to 44, against a total of 48 grants expected to be awarded by the end of the programme implementation. Through the implemented IOF grants, 149 new products, 4,603 new accounts, 50,740 new registered users of financial services. These results demonstrate that the project development objective of increasing outreach of rural financial services will be reached by the end of project implementation.

The project however needs to systematically and regularly assess the outcomes of these results on the target population, particularly with respect to the social impact of the interventions carried out. In addition to the Annual Outcome Survey, specific thematic studies need therefore be carried out to substantiate the observed and reported impact as well as anecdotal increase in the use of the rural financial products and services delivered by the programme. Such studies will help generate empirical evidence on among other parameters: (i) the extent to which Electronic and Mobile money transfer services have been accepted by and their impact on the communities; (ii) the extent to which Agent Banking has been rolled out and accepted by the communities and the development impact it has had on the target population; (iii) the factors influencing the uptake of particular products and services; (iv) the extent to which the strategic partnership interventions have improved the enabling legal and operational environment for expansion of rural financial services. In addition, project management should through the M&E system track to the extent possible, the end users of the products and services delivered by RUFEP. This will enable the programme to assess attribution of any observed changes and impacts in the community to the project interventions.

Agreed Action	Responsibility	Agreed Date
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: 5

Justification of rating

Targeting and outreach continues being satisfactory. The programme reaches out to all 10 provinces through its implementing partners, with appropriate targeting mechanisms in place (geographic and self-targeting under Component 1 and 2). Main achievements include: overall beneficiaries' outreach at 168% of end target (140,000 households); women outreach at 92% of end target (150,000 individuals); continuous branching out of implementing partners to rural areas with a growing range of financial product services for rural clients through existing and innovative channels (e.g. VSLAs and mobile money services); anecdotal evidence of programme relevance and effectiveness.

Main issues

The programme targets up to 140,000 men, women and youth in rural areas of the 10 provinces through improved access to financial services. At least 50% of the target are expected to be women and 25% youth.

Key achievements. The programme continues being solid in the implementation of its targeting strategy. Targeting measures continue being well embedded into project operational documents. Specifically, under Component 1, 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. Furthermore, under Component 2, IPs are selected according to their rural outreach capacity (so far coverage in all 10 provinces has been secured), and self-targeting is embedded in the 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 identification. Accordingly, financial products and training material are tailored to beneficiaries' 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.

Overall, the programme has delivered financial services to 236,206 rural households (168% of end target), and 137,727 women (92% of end target). There has been continuous branching out of implementing partners to rural areas beyond the foreseen end target (15 vs. 5) with a growing number of financial product and services (11 out of 5 planned taken up by 31% of foreseen users) delivered to rural clients through existing and innovative channels (e.g. VSLAs, mobile money services) as well as training.

Products and Services

Products and Services	Status
Cash in/out - Deposits/Withdrawals	Active
Group Savings Accounts	Active
Group Savings Loans	Active
Invoice Discounting	In development
Digital Loans / Repayment	Active
Microleasing Finance	Active
Warehousing Receipt Finance	Feasibility completed, IP looking for funding to scale
Housing Finance For Savings Groups	Feasibility completed, IP looking for funding to scale
Insurance	Research stage
E-wallet accounts	Active
Livestock Finance	Early stages of pilot
Mobile Money	Active
Paygo Asset Financing	Active
Input/Layby Finance	Active

A wealth of anecdotal evidence made available shows RUFEP services and products as listed above have a good level of impact in the livelihoods of the people, e.g. in view of children's education, agricultural inputs, mobile money service, prevented thefts, registered credit profiles.

Key issues. Despite some qualitative efforts made by the programme in capturing the social benefits RUFEP initiatives are bringing to the rural communities, there is still a void in the quantitative measurement of programme impact. Specifically, the programme lacks a sound level of analytical and consolidated knowledge on the additional value each financial product offers to the rural communities, hence the measurement of the rural poverty reduction the service generates for the rural household (including any possible social graduation). Furthermore, it would be significant to

understand to what extent RUFEP has increased access to rural financial services for first-time users (male/female and youth), which can be analysed following the Finscope survey results. Overall, as detailed in the M&E section, there is a need for the PCO and IPs to deploy more efforts to capture results at the outcome and impact level, going beyond the current measurement of outreach performance.

Agreed Action	Responsibility	Agreed Date
Thematic Studies Carry out Thematic Studies as detailed in other sections of the report, in addition to the Annual Outcome Surveys, to assess the extent to which the programme impacts the target population.	PCO	07/2021

Gender equality & women's participation

Rating: 5

Previous rating: 5

Justification of rating

Gender equality & women's participation continues being satisfactory. Main results include: the adoption of gender targeting mechanisms; women outreach at 92% of end target; enhanced women's access and control over finance and technology through their participation in Component 2 CBFIs-tailored initiatives (Window 1, 2 and to some extent 3), with Women's participation in CBFIs higher than men's (approx. 80% vs. 20% respectively); anecdotal evidence of women economic empowerment largely as a result of saving initiatives; training of financial service providers female staff; development of a gender policy manual by DBZ; and BoZ upcoming introduction of sex disaggregation of data as a new requirement in financial institutions reporting mechanisms

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.

Key achievements. RUFEP has put in place gender targeting mechanisms through: the use of the 'Gender Checklist' in both components, the inclusion of gender-equitable and empowering measures in the development of Component 2 grant proposals where women targets are required. 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 (92% of end target), technology and to some extent land. Anecdotal evidence of impact from improved access to finance and the promotion of savings in particular, testify women are being economically empowered (as incomes are normally managed by their husbands) 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.

RUFEP has recently supported the development of a gender policy manual by the DBZ currently waiting for board approval, and the introduction of sex disaggregation of data by the BOZ as a new requirement in financial institutions reporting mechanisms.

Key issues.

The programme has not yet implemented last supervision recommendation to prepare a 2-year refresher training programme on gender awareness, which was initially conducted for FSPs only at programme start-up. Moreover, the formalization of the Gender Focal Point role currently assigned to the M&E Officer was not achieved. The explanation is, these recommendations were not discussed in the wrap up meeting or included in the Aide Memoire.

A further issue relates to the quantitative data on outcomes and impact generated by RUFEP services delivered to women beneficiaries which remains lacking in the M&E system. Finally, the organizational capacity assessment of SaveNet pointed to the need for SaveNet to consider developing a gender policy to guide programme work.

Agreed Action	Responsibility	Agreed Date
Gender focal point Assign the KM Specialist of the PCO as a gender focal person to ensure follow up of gender issues.	PCO	06/2020
SaveNet Support the development of a gender policy for SaveNet and mainstream this into the upcoming sector guiding documents	SaveNet, PCO	09/2020
Document Gender Approaches and results (i) Ensure that the gender aspects are thoroughly included in all Case Studies and Impact Surveys by RUFEP in next year, (ii) For IPs with strong gender focus, request for best practice notes, (iii) drawing from these materials, compile a RUFEP gender report.	PCO	06/2021

Agricultural Productivity

Rating: 4

Previous rating: 4

Justification of rating

By design, RUFEP does not work directly with agricultural producers; as such, its contribution to rural agricultural development is through the work of its implementing partners. As per programme mandate, the goal is to increase access to agriculture financing to enable rural communities purchase inputs at the right time. RUFEP has supported several innovative rural outreach solutions of mobile banking, including (i) Mobile payment solutions, (ii) Rural asset financing platforms, and (iii) Value chain mobile transaction platforms. Under the IOF window, CBFIs and MFIs have accessed grant financing and expanded their existing and new agricultural products, including pay as you go mechanisms

Main issues

In the last year, RUFEP supported three value chains, including dairy, cotton and horticulture. The mission learnt that the beneficiaries of savings and loans products under the Rising Fountain Development Programme (RFDP) had doubled their income mainly from agricultural enterprises. Many farmers have benefited from insurance and pay as you go products by accessing solar-powered pumps and other alternative energy solutions.

However, the mission could not establish the actual impact of RUFEP's intervention on agricultural productivity. To establish the actual impact, the PCO should conduct targeted case studies around the agri-finance models of its IPs.

Agreed Action	Responsibility	Agreed Date
Document case studies on RUFEP's impact on agricultural productivity. In collaboration with agricultural finance partners, document at least three case studies to establish the impact of RUFEP rural finance models on agricultural productivity.	PCO	12/2020

Nutrition

Rating: N/A

Previous rating: 4

Main issues

Key achievement. The mission commends the initiative undertaken by the PCO to develop a strategy to mainstream nutrition in micro/rural finance, so as to enable RUFEP to assess the impact it is making at household level by measuring household food and nutrition security. The assignment which is at inception phase, entails the development of nutrition indicators, a nutrition communication strategy, training modules/manuals and a nutrition strategy to support the efforts of RUFEP's Implementing Partners in improving rural finance inclusion. It is expected that training will also be provided to RUFEP staff and Implementing Partners.

The programme has developed a nutrition-sensitive questionnaire for the AOS, as recommended by last mission.

Key issue. The programme continues falling short of making nutrition data available since the AOS has yet to be conducted. The upcoming strategy for mainstreaming nutrition in micro/rural finance as well as AOS with Dietary Diversification Indicator will address this issue by end of 2020.

Agreed Action	Responsibility	Agreed Date
Include nutrition strategy indicators into the AOS	M&E Unit	09/2020

Adaptation to Climate Change

Rating: 4

Previous rating: 4

Justification of rating

4Climate change adaptation (CCA) continues being moderately satisfactory. RUFEP design does not include direct interventions on CCA, however, it has supported a number of organisations to implement clean energy solutions to reduce deforestation. Several IOF grant have intergraded climate smart solutions in their financing mechanisms. Emerging cooking solutions, Vitalite, Rent to own, Widenergy and Smart village are all promoting alternative energy home systems including water pumps and improved cook stoves. Most recently, RUFEP supported embedding solar panels in Mobile Money kiosks to increase operating hours; and supported the development and implementation of index insurance linked to PayGo service with assistance through the INSURED Project.

Agreed Action	Responsibility	Agreed Date
Document Case studies on impact of RUFEP on Climate change In conjunction with the Agriculture Productivity case study, assess impact of RUFEP interventions on climate change adaptation	PCO	12/2020

b. Sustainability and Scaling up

Institutions and Policy Engagement

Rating: 6

Previous rating: 6

Justification of rating

RUFEP supported MoF and BoZ in review, development and dissemination of policies, strategies and surveys for rural financial inclusion, including the National Financial Inclusion Strategy, the Financial Sector Development Policy, Mobile and Agent Banking Policy, and Finscope survey. RUFEP is a member of the National Financial Inclusion Strategy Implementation Committee [NFISIC]. In addition, RUFEP is the Secretariat for the SME, Rural and Agricultural Finance Working Group which advises the NFISIC. RUFEP also has a seat on the Financial Infrastructure Working Group. RUFEP supported the establishment of 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-level RF infrastructure.

Partnership-building

Rating: 5

Previous rating: 5

Justification of rating

RUFEP has established operational working relationships with strategic partners in Zambia Rural Finance sector including MOF, BOZ, AMIZ, MCDSS, PACRA, DBZ, CPCC and SaveNet including its 29 NGO members. Through the IOF grants window, RUFEP has been able to support 44 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: 5

Previous rating: 4

Justification of rating

Human and social capital and empowerment is upgraded to satisfactory. RUFEP was designed with a key focus on building capacities of rural poor individuals and organizations through Component 2 'Window 1' where IPs support the organizational development of CBFIs in deep rural areas through a participatory approach (orientation meetings, consultations, need assessments, identification of most suitable products/services, capacity building and promotion of financial institutions linkages). While lately capacity building and participatory activities have had to slow down due to COVID-19, outputs achievements show: 2941 (vs. end target 1500) and 15,730 (vs. end target 1000) of new and old CBFIs respectively strengthened; 71% FSPs staff trained (female 56% of end target; male 86% of end target).

Quality of Beneficiary Participation

Rating: 5

Previous rating: 5

Justification of rating

Quality of beneficiary participation continues being satisfactory. Participatory approaches are at the core of RUFEP design mostly through Community Based Financial Institutions (CBFI), and specifically the implementation of Component 2 grants (Windows 1 and 2) whereby rural people have been involved in activity planning and implementation. Moreover, a number of studies and assessments (e.g. the one of SaveNet) ensure continuous involvement of beneficiaries in evaluating the performance of service providers and the tailoring of programme services to their needs. That being said, as mentioned earlier, a systematic assessment of the financial products being delivered (yet to take place) shall provide a more analytical and thorough feedback on the relevance of services delivered thus far.

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

RUFEP in overall is implemented through partners that provide indirect and direct services to project beneficiaries. The period under assessment has shown significant progress in all project activities. The strategic partners MoF, BoZ, AMIZ, MCDSS, PACRA, DBZ, CPCC and SaveNet implemented activities according to the AWPB although activities are now delayed due to COVID-19. The number of IOF projects has increased to 44 which implement activities according to performance-based work plans and payments. As noted above in this report, under Project Progress, some grant partners require additional BDS support to achieve targets and deliver services according to agreement. The PCO will make BDS support available under coordination of the newly recruited Technical Officer.

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

RUFEP design does not directly address environment and natural resource management (ENRM). However, on one hand it offers smart grants to IPs who promote a green economy which unfortunately is not adequately followed-up by the PCO due to limited capacity and time. On the other hand, RUFEP's support to green economy is also documented by some IOF implementing partners initiatives, e.g. renewable energy solutions implemented by Emerging cooking solutions, Vitalite, Rent to own, Widenergy and Smart village. Such interventions clearly have an impact on deforestation which is a major environmental challenge in Zambia. Moreover, DBZ has recently developed an environmental policy and guidelines (awaiting board approval).

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

RUFEP has prepared an exit strategy highlighting the key considerations for enhancing post programme sustainability. At macro level, the strategy emphasizes the need to continue building the capacity of the RFU to ensure it assumes full coordination and oversight of the rural finance sector. At policy and regulatory level, the strategy stresses the need for the Programme to ensure policy and regulatory institutions such as the BOZ include the new policies and regulations developed with support from RUFEP as part of their mandate. For IOF IPs, RUFEP has ensured the selection of only viable implementation partners. To guarantee continuity beyond the programme, PCO should support all IOF partners by ensuring the successful completion of all their outstanding activities.

Main issues

Although the exit plan highlights the key strategies for ensuring post programme sustainability, an operational action plan is required for AMIZ, SaveNet and RFU. Furthermore, to emphasize the role of stakeholders and to ensure ownership, continuation and expansion of activities, a joint exit plan should be agreed with the stakeholders.

A key strategy for ensuring continued coordination and oversight of the rural finance sector is the creation and capacity building of the RFU. Although an allocation for the RFU is included in the national budget, it only covers about 45% of the units operational costs. Given that the programme is ending in the next two years, GRZ should increase its contribution to the RFU operational cost, covering at least 75% in 2021 and 90% in 2022.

Agreed Action	Responsibility	Agreed Date
RFU sustainability plan Sustainability plan to include proposed government gradual uptake of RFU operational costs.	RFU	07/2020
Exit strategy Refine the exit strategy document so it captures elements from IOF and SP overall strategies, as well as a joint sustainability plan agreed with the stakeholders.	PCO	03/2021

Potential for Scaling-up

Rating: 5

Previous 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 neighbouring countries and ESA region. Such successful pilots include (i) digital financial services and products (ii) value chain linkages utilizing mobile payment and service delivery platforms, (iii) models to link smallholder farmers and financial service providers using mobile money, (iv) wholesale lending through the model supported at DBZ, (iv) studies that provide data and understanding on development of new mechanisms and financial products and services for rural communities. Practically, DBZ and RFU have explored potential scaling up partnership with AfDB. IFAD support to BoZ for its large scale COVID-19 stimulus package is explored.

c. Project Management

Quality of Project Management

Rating: 5

Previous rating: 5

Justification of rating

The RUFEP PCO has remained proactive in coordinating the different elements of the Programme and the work of its implementing partners. The PCO has continued to engage and provide technical support to key strategic partners. In the last year, the PCO has established linkages with two new strategic partners namely, ZICTA and PIA. Activity planning, scheduling, implementation and reporting has been of acceptable quality and in accordance with the approved AWPB. The PCO has continued to engage the PSC for guidance as appropriate and has provided timely progress data to the monthly coordination meetings organised by the IFAD Zambia ICO.

Main issues

In line with the previous supervision mission recommendation, the PCO has formally requested a budget reallocation to increase the grants and operational costs budget lines. This is following the recommendation to increasing the upper ceilings for the grants for Window 1 supporting Community-Based Financial Institutions (CBFIs) linkages and for Window 3 (Rural Finance Equity and Innovations), under Component 2. The increased operational budget is to cater for the costs of the RFU, which was planned to have 4 staff at design instead of the current 9.

Due to the changing country context, the PCO has adjusted its strategies and activities to address incidences of gassing and the COVID19 pandemic. The programme has developed a COVID19 contingency plan to address the likely impact of the pandemic. Further, the PCO has developed a sound exit strategy to increase the chances of post programme sustainability. To ensure the effective implementation of the exit strategy, the mission has recommended the inclusion of an operational action plan to guide the execution of the strategy.

Knowledge Management

Rating: 4

Previous rating: 4

Justification of rating

Knowledge Management (KM) activities are implemented in line with the Knowledge Management and Communication Strategy. A multimedia approach is used to promote interventions of the programme as well as disseminate various knowledge products. KM activities are planned and budgeted for and are coordinated by a fulltime Knowledge Management Specialist. Documentation and dissemination of successful interventions has been done especially through videos documentaries, workshops, reports and other products. RUFEP also contributed to IFAD ESA Knowledge Products. The implementation of KM can be further strengthened by systematically collecting, organizing, publishing and communicating the accumulated studies and other documents by RUFEP implementing partners and strategic partners.

Main issues

Knowledge Management within the programme is guided by the Knowledge Management and Communication strategy and related activities supported through an annual operational budget incorporated within the programme annual work plan and budget. Video documentaries have been produced to provide evidence of implementation and roll out of financial products and services particularly for interventions under window 1 and Window 2 of the IOF. Research and review reports, manuals, and policy documents have been disseminated to stakeholders through workshops. Other dissemination channels used include the RUFEP website, the newsletter and social media accounts.

To further strengthen the KM of RUFEP, the project will (i) systematically collect, organize and publish through its electronic channels the wealth of knowledge materials developed by implementing and strategic partners, and (ii) develop additional KM products including case studies, to demonstrate the impact of the programme on the target population and on the operating environment. The case studies should include 1. Thematic studies such as Impact on agriculture and climate change through RUFEP rural finance instruments, and 2. Case studies on method and impact by best performing IOF and SP activities.

Agreed Action	Responsibility	Agreed Date
Systematically collect and publish KM materials by partners	PCO KM Unit	10/2020
Develop thematic studies and case studies Develop thematic studies and case studies as described in other sections of this mission report.	PCO KM Unit	12/2020

Value for Money

Rating: 5

Previous rating: 4

Justification of rating

The procurement function in the project applied the IFAD procurement guidelines, which promote international standards of procurement such as competition, transparency, accountability, fairness and efficiency. The program was well supported by the line Ministry and as such, there was efficiency in the operation of the procurement function. This enabling environment made the program to be very effective on procurement matters and enhanced the capability for obtaining value for money (VFM) on procurements made during the period under review.

Main issues

Value for Money (VFM) is the achievement of the desired procurement outcome at the best possible price. It does not necessarily mean the lowest initial price option, but rather represents the best return on investment, taking into consideration the unique and specific circumstances of each procurement activity; the balance of time, cost and quality required; and the successful overall outcome of the contract in meeting its original objectives.

Evidence as justification for rating: A verification of drivers for VFM from the sample documents on procurements for goods, works and consultancy services revealed that, the Procurement Plan (PP) was generated for all procurements, specifications, terms of reference (TOR) solicitation document were all consistency with the budgets indicated in the AWPB and consistent with the IFAD procurement guidelines. In addition, the evaluation committee was very well balanced; contractors who were selected for the contracts were experienced and credible contractors.

Procurement of computers and accessories: A total amount of USD 43,700 (K640,205.00) was allocated in the 2019 AWPB line 5.20 of which USD37,700 equivalent to K552,305.00 was used as an estimate for the 2019 procurement plan. The final output for all the items under the budget line was K391,816.59 making a saving of 160, 488.41 representing 29% saving on the procurement plan estimates and K248,388.41 saving on the budget representing 38.79%.

Coherence between AWPB and Implementation

Rating: 4

Previous rating: 4

Justification of rating

The annual planning process is participatory which ensures coherent work plans and budgets. Several activities related to IOF, identified in the 2019 AWPB were either fully implemented or had reached at least 80% of the annual target. Delays were experienced in delivery of targets related to wholesale lending products to MFIs by the Development Bank of Zambia and establishment of M&E frameworks for monitoring a number of strategic partner initiatives. Implementation of activities identified in 2020 AWPB has been hampered by the restrictions due to COVID-19 pandemic. In overall, monitoring the performance of the AWPB can be improved by ensuring linkage and alignment of identified activities to an operational results framework and timely reporting by all partners

AWPB Inputs and Outputs Review and Implementation Progress

The annual planning process is participatory to ensure development of coherent plans and budgets. Every year, the PCO organises the Annual Planning Review meeting for all partners during which implementation progress is reviewed and targets set for the following year. Monitoring the AWPB is done through reports and the MIS established at PCO and partner institution levels. By December 2019, 55% of the planned activities during the year 2019 were either at advanced stage of implementation (80% and above) or fully completed. In addition, related targets for physical deliverables reached 38% out of a total of 34 direct project outputs expected to be delivered by the programme. Activities related to wholesale lending to MFIs by Development Bank of Zambia (DBZ) did not progress during the year 2019 due to ongoing negotiations regarding fund raising. In addition, development of respective M&E systems for activities carried out by Bank of Zambia, DBZ, Association of Microfinance Institutions of Zambia (AMIZ), and SaveNet also lagged behind implementation in 2019 mainly due to limited M&E capacities within the institutions and delayed recruitment processes of external consultants to provide the required support.

In 2020, many of the identified activities have not taken off due to the COVID-19 lock down. This has affected sensitisation and mobilisation campaigns, convening stakeholder dissemination workshops of reports and policy results, and overall physical transactions of rural financial services. This will therefore result in limited achievement of many targets. A contingency plan has been proposed to ensure that critical activities will be implemented to the extent possible, and its effective as well as efficient implementation will go a long way in ensuring full performance of the 2020 AWPB

In overall, improvements can be made by further emphasizing the linkage between the AWPB to the results framework by developing activity and output monitoring registers that ensure clear definition of key activities and related targets to be monitored including the linkage to expected project output results. Examples of this, by projects elsewhere, were shared with the PCO.

Performance of M&E System	Rating: 4	Previous rating: 4
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Justification of rating

The electronic Monitoring system (MIS) was upgraded, making it possible for consistent data exchange between partner institutions and the PCO. M&E Frameworks are being developed for particular activities at strategic partners' institution level. The system is constrained by inadequate capacity and frequent staff turnovers at partner institution level. At PCO level, the M&E Specialist is overloaded with requesting regular updates to the MIS as well as coordinating other M&E functions, which draws attention away from ensuring completeness of the results framework as well as regular analysis of results. The system needs to be improved by minimising gaps in data collection, as well as ensuring completeness and regular analysis of results.

M&E System Review

The foundation of the project M&E system is the results framework. The logical framework was revised earlier on during implementation to ensure an increased focus and accurate measurement of the programme outreach. The revised log frame was retrofitted into the IFAD ORMS and linked to an electronic monitoring database (MIS). The MIS was previously constrained in operational efficiency by data exchange challenges. These have since been reduced as a result of the recent upgrade of the system to PlaMES. The PCO will continue to use the revised ORMS logframe as a reference point for the M&E system. Additional data collection will be made using the project operational logframe.

The M&E System has been constrained in performance by several factors including: (i) high M&E staff turnover and inadequate capacity at partner institution level resulting in gaps in data collection and regular updates to the MIS, (ii) Heavy workload for the M&E Specialist at PCO level constraining regular completeness and analysis of the data and overall performance of the system, and (iii) limited reporting on outcomes particularly those related to gender empowerment and social impact of the programme.

M&E reporting is mainly done on implemented activities, a few outputs and financial outcomes of the interventions. Gender disaggregated data is not regularly and accurately captured and there are several inconsistencies in the collected data vis-à-vis the overall outreach of the programme. Further, reporting against some output indicators has been constrained leaving gaps in the results framework. The Annual Outcome Survey has been delayed by the COVID-19 pandemic and this will further affect generation of empirical evidence and timely assessment of the extent to which project objectives are being reached.

A National Technical Officer has been recruited to assist the Technical Services unit at PCO level in ensuring among others, timely appraisal of grant proposals, follow up and analysis of reports and provision of technical feedback to implementing partners. The National Technical Officer is expected to commence duty on 1st June 2020. It is recommended that the services of the joining officer be split between the M&E unit and the Technical Services Unit in order to reinforce the services of the M&E Specialist. Detailed modalities should be worked out internally to further define the scope of expectations from the officer in relation to the support of the M&E function.

As the annual outcome survey has been delayed, the PCO is encouraged to concentrate efforts on design of specific thematic case studies particularly those where data collection can be done using electronic communication, in addition to

carrying out analysis of existing information of possible outcomes of the programme interventions and impact of their outreach. These will be useful in painting a picture on the extent to which some immediate outcomes have been reached, and reinforce the results from the Annual Outcome survey to be conducted later in the year. The case studies too are expected to enhance the project KM system for enhanced impact.

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

Rating: 5

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 Component 2 IOF small grants to implementing partners, with maximum value of USD200.000 per sub-project (IPs) and with a 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, climate change adaptation processes and environmental and natural resource management are promoted by RUFEP, as noted in respective sections above.

d. Financial Management & Execution

Acceptable Disbursement Rate

Rating: 5

Previous rating: 4

Justification of rating

The project is in its 6th year of implementation, and its disbursement rate is 67 per cent. There is no extension. There is still USD 1.1 million available of the IFAD loan and EUR 2.6 million of STF loan to be absorbed for the budgeted activities, before the project completion date of 30th September 2022. Automated rating based on IFAD disbursement data

Main issues

Since the latest mission on June 2019, the disbursement rating has improved from moderately satisfactory to satisfactory. As of 30th April 2020, the overall disbursement rate stands at 67 per cent. IFAD loan was 73 per cent disbursed, which is a 32 per cent increase since the prior mission and Spanish Trust Fund (STF) was 60 per cent disbursed, which is a 23 per cent increase since the previous mission. Between the two missions, the project submitted eleven Withdraw Applications (WAs) for the IFAD loan and five WAs for the STF loan. On average, the team sends a request for replenishment every two months, which is in line with the Fund's guideline that projects should submit WAs quarterly or when 20-30 per cent of the initial advance has been spent on eligible expenditure.

As noted in the Mid Term Review (MTR) and the June 2019 supervision mission, some categories exceeded the allocated budget according to schedule 2. Under the STF loan, Category I equipment and materials and Category II training were 18 per cent, and 59 per cent respectively, above the budgeted allocation. This excess can partly be explained by mis-categorisation of expenditures. The team is in the process of submitting to IFAD a revised allocation of expenditure to the budgeted categories. Following this exercise, as agreed in the MTR, the team will submit a reallocation of funds to prevent a situation where planned activities cannot be implemented due to the lack of funding in the category.

Agreed Action	Responsibility	Agreed Date
Reallocation request Submit to IFAD a request for reallocation of funds to balance the excess under certain categories in the STF loan	Financial Controller - PCO	06/2020
Correction of CAT Submit to IFAD a table to correct expenditure categories	Financial Controller - PCO	06/2020

Fiduciary aspects

Quality of Financial Management

Rating: 5

Previous rating: 4

Justification of rating

The rating is increased to highly satisfactory because the remote supervision mission did not highlight major weakness in the project accounting and internal control systems. The project finance team is made of dedicated, organised professionals who have the necessary qualification and experience to ensure that the loans are solely used for the purposes for which the financing was provided. The high rating is also the result of the team not only implementing the past recommendations from the previous missions and external audit but as well as taking the initiatives to implement new measures that lead to reduction of operational costs and strengthening of internal controls for strategic and implementing partners.

Main issues

The programme finance team is made of a qualified Finance Controller (FC) who has integrated well in the team since replacing the former FC. There is also an Assistant Accountant, who is currently finalizing the ACCA qualification. Therefore, the team is adequate and well equipped to supervise financial management of the project.

During the mission, it was noted that the project has abandoned a system of blank refuelling of project vehicles to be replaced by a closely controlled maintenance of a logbook kept by the drivers. The fuel consumption is reviewed each time the vehicle is fuelled up and any discrepancies between the quantity of fuel purchased and the distance travelled has to be justified. This new way of controlling fuel consumption has led to a reduction of operational costs. Furthermore, the programme introduced a new covenant within the strategic/implementing partners' grant agreements to strengthen controls and traceability of funds contributed by the participating partners. The grant agreements now includes a clause requesting the partners to open a bank account dedicated for the sole use of the Fund and partners' contributions. This option has enabled a better control of the utilisation of IFAD funding because the funds are no longer co-mingled with other incomes or expenses from various sources. The agreements also includes a new anti-corruption provision to reinforce IFAD zero tolerance towards corruption. Therefore, the onus is on Partners to introduce proper safeguards against fraud or corruption.

With respect to accounting, the programme continues the use of SAGE Evolution, which is in accordance with IPSAS cash basis and IFAD requirement for reporting. Also, the accounting software has been well coded to reflect all key parameters including components, categories, financier and activities. The programme has implemented the procurement module of the software and has now automated SOEs, all these measures are contributing to the strengthening of the programme's internal control systems and segregation of duties.

About the budget, the delayed submission did not impact the project implementation. The controls over budget remain adequate. The budget is posted in SAGE and analysis of budget vs actual can be generated from the system whenever requested.

As noted in previous Missions, internal controls and segregation of duties, continues to remain strong. There is sufficient level of segregation of duties and internal controls to ensure that funds are spent for the intended purposes and with due respect of economy and efficiency.

A review of the statement of expenditure (SoE) demonstrated that all expenses had the necessary supporting documentations, which were organised in a way that permit easy finding of the documents seen by the speed with which the project sent all documents requested within very little time. The expenses are well referenced to both the AWPB and vouchers, enabling easy retrieval.

Quality and Timeliness of Audit

Rating: 5

Previous rating: 5

Justification of rating

Audit report fully informative and timely prepared

Main issues

The AG expressed an unqualified opinion on the FS. The FS are satisfactorily prepared and disclose the financial performance of the project at year-end. The notes to the FS are fully informative. However, the following improvements are recommended in future reports: - include list of assets; - present amounts in USD (and in local currency).

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

Counterparts Funds**Rating: 5****Previous rating: 6****Justification of rating**

As at 30th April 2020, contributions from the Government of Zambia (GRZ) and Strategic/ implementing partners amounted to USD 464 thousand and USD 3.9 million respectively. These counterpart contributions represent 18 per cent of the budgeted amount for the GRZ and 118 per cent of the planned contribution for the participating institutions.

Main issues

Counterpart part funds remain satisfactory. Since the previous mission, the government contribution went from USD 257 thousand to USD 464 thousand. The increase in the contribution is the result of Rural Finance Unit (RFU) team salaries from 2019 being recognised as a government contribution as the GRZ finances it. The contribution from GRZ is expected to increase further once the project finishes calculating RFU employees salaries paid since inception of the project as well as a proportion of the remuneration of IT support also provided by GRZ.

Contributions from the strategic/implementing partners exceeded the planned budget by 18 per cent. Between the two missions, participating partners have contributed an additional USD 1.4 million, which represent 35 per cent increase since the last mission. This result is due to the PMU team, informing the partners that their contributions can be higher than what is indicated in the contract. This initiative has motivated the partners to increase their funding above the agreed planned contributions.

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
Calculate salaries of RFU Calculate salaries of RFU staff and IT support since project commencement to include as government contribution	Financial Controller	06/2020

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

The programme is being implemented in accordance to schedule III, special covenants, except for covenant 4, financial statement of service providers and covenant 5, audits of service providers, which are in discussion with IFAD management

Main issues

During past a mission, it has come to the Fund's attention that Special Covenants 4, financial statement of service providers and 5, audits of service providers were not implemented due to uncertainty about these provisions. Implementing Partners (IPs) are not legally bound to carry out external audits. Therefore, applying these provisions will signify that the project may have to finance the external audits of the numerous IPs, hence it will increase its operational costs.

Matching grants to each IP range from USD 25,000 to USD 200,000. The amounts below USD 100,000 are usually for one year or less, whereas grants between USD 100,000 - USD 200,000 are for a period of no more than two years. Therefore, with less than three years before completion date and the improvement of the internal audit function in the Ministry of Finance, the Fund is considering if it is acceptable that the project's internal auditors perform the audit of the IPs. IFAD is to provide a response to the project about the way forward by the end of June 2020.

Agreed Action	Responsibility	Agreed Date
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
application of schedule III covenants IFAD to make a decision with the application of schedule III covenants 4 and 5	IFAD	06/2020

Procurement

Procurement

Rating: 5

Previous rating: 5

Justification of rating

The mission found that the project procurements were very well organised and fully supported by the line Ministry, This enabling environment made it possible for the procurement function in the project to operate very efficiently. Record keeping management of procurement documents were found to be orderly, a separate cabinet for low value procurements conducted for each year in hard cover folders were clearly labelled for easy identification. Hard box files were used for high value procurements and placed on shelves. The only limitation was that some documents were missing in the box files and there was no coding mechanisms.

Procurement Review

Description: Procurement Review aims to ensure that the procurement process is carried out in conformity with IFAD procurement guidelines including the approved Procurement Plan and in accordance with the letter to the borrower; the review takes into account the arrangements for procurement of goods, works and services proposed by the Borrower/Recipient.

One Procurement Specialist managed the procurement function in the project. The Ministry Procurement committee approves the procurements, which are beyond the threshold of the program, while the Head Procurement at the Ministry helps to review documentation generated by the procurement specialist. However, a number of procurements under non-consulting services planned for the year 2020 were not executed by the time of the mission. The reasons given for not starting the procurements were that, the procurements would only commence when the two studies (i.e. Nutrition in Finance Consultant and Why Men and Youth shun SGs) had been completed. The completion of the studies had delayed to a large extent due to the COVID19 situation. The same applies to the PLAMES Database maintenance procurement; this was planned for first quarter to review how PLAMES was working. That could only happen once the program got all their Implementing Partners (IPs) in the database which will require at some point to bring the consultant from UK and IPSs together for a workshop but could not happen due to the COVID19 so it was rescheduled to be undertaken in the 4th quarter. For items 3-6 under in the PP for consultancy, they are supposed to be demand driven i.e. the implementing partners were supposed to initiate the procurement process after identifying areas that require technical assistance.

Procurement Plan, Contract packaging, procedures and procurement methods;

The verification of the Procurement Plans for 2019 and 2020 found that the plans were prepared with input from other sections in the project and was consistent with the AWPB and was updated regularly as required by the IFAD procurement guidelines. The application of the procurement thresholds and methods of procurement were found to be consistent with the letter to the borrower dated 2nd July 2019. The plans included the timing of the procurement activities including dates for IFAD prior review. However, there is need to improve the template of the procurement plan so that it can include columns for the expected date of receipt of Purchase Requisition (PR) and the expected date of delivery or expected date of completion in case of works and services.

The packaging of the requirements in the PP for 2019 and 2020 were correctly done, by grouping procurements according to category of like items such as computer accessories, motor vehicles separately in order to target suppliers experienced for each respective category. Lots were also done for consultancy services on different categories. The project procurement adopted the procedures as outlined in the IFAD procurement guidelines including the requirements for prior

and post review thresholds. The methods of procurement were indicated in the procurement plans such as National Selection (NS) National Competitive Bidding (NCB) for procurement of services and goods sourced from within the country respectively.

Constraints faced by the project in performing procurement functions and activities

The main constrain to note as stated by the procurement speciality is the delays experienced for contract approval when contracts are sent to the Attorney General at Ministry of Justice

Agreed Action	Responsibility	Agreed Date
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
Procurement Planning Include additional columns in the plan for (i) date when the purchase requisition is expected to be received for processing and (ii) date of expected delivery or contract completion, and (iii) column to differentiate procurement method and evaluation criteria for consultancy.	Procurement Specialists	05/2020
Record Management Ensure that procurement records are coded making sure that each document is allocated a reference number with a front cover key for easy retrieval.	Procurement Specialists	06/2020
Contract Management Improve contract management tool for usability.	Procurement Specialists	06/2020
Registration of assets procured by grant beneficiaries Expand RUFEP fixed asset register to include assets procured by grant beneficiaries.	PS	

e. Key SIS Indicators

Likelihood of Achieving the Development Objective	Rating: 5	Previous rating: 5
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Justification of rating

Implementation of the planned interventions suggest that development objective is likely to be achieved. However, information and data on outcomes and impacts are yet to be captured

Assessment of the Overall Implementation Performance	Rating: 5	Previous rating: 5
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Justification of rating

The programme has made significant progress on delivering on the planned interventions

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
Additional BDS support Identify IOF partners with management capacity gaps and business viability challenges, and mobilize BDS support to resolve issues.	PCO	10/2020
Strategic Partners' exit strategy Project exit strategy operationalized through medium- to long-term operational plans for RFU, and through operational and strategic plan for AMIZ and SaveNet. These will include budgetary and financing plan after RUFEP support.	PCO	11/2020
Complete the IOF grant agreement pipeline Complete the IOF grant agreement pipeline by end-2020. For 2021, move any remaining resources to other components or to short research grants under W3.	PCO	12/2020
Document IOF impact Document information on livelihood impact by the implemented IOF models through: (i) M&E system disaggregated outreach reports from IPs, and (ii) case studies on livelihood impact, by IPs and by PCO. ONGOING	PCO	12/2020
Policy Environment Results Carry out a case study to analyse the changes in the policy environment as a result of RUFEP interventions.	PCO	03/2021
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
Gender focal point Assign the KM Specialist of the PCO as a gender focal person to ensure follow up of gender issues.	PCO	06/2020

SaveNet Support the development of a gender policy for SaveNet and mainstream this into the upcoming sector guiding documents	SaveNet, PCO	09/2020
Include nutrition strategy indicators into the AOS	M&E Unit	09/2020
Document case studies on RUFEP's impact on agricultural productivity. In collaboration with agricultural finance partners, document at least three case studies to establish the impact of RUFEP rural finance models on agricultural productivity.	PCO	12/2020
Document Case studies on impact of RUFEP on Climate change In conjunction with the Agriculture Productivity case study, assess impact of RUFEP interventions on climate change adaptation	PCO	12/2020
Document Gender Approaches and results (i) Ensure that the gender aspects are thoroughly included in all Case Studies and Impact Surveys by RUFEP in next year, (ii) For IPs with strong gender focus, request for best practice notes, (iii) drawing from these materials, compile a RUFEP gender report.	PCO	06/2021
Thematic Studies Carry out Thematic Studies as detailed in other sections of the report, in addition to the Annual Outcome Surveys, to assess the extent to which the programme impacts the target population.	PCO	07/2021
Sustainability and Scaling up		
RFU sustainability plan Sustainability plan to include proposed government gradual uptake of RFU operational costs.	RFU	07/2020
Exit strategy Refine the exit strategy document so it captures elements from IOF and SP overall strategies, as well as a joint sustainability plan agreed with the stakeholders.	PCO	03/2021
Project Management		
Systematically collect and publish KM materials by partners	PCO KM Unit	10/2020
Develop thematic studies and case studies Develop thematic studies and case studies as described in other sections of this mission report.	PCO KM Unit	12/2020
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
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 Planning Include additional columns in the plan for (i) date when the purchase requisition is expected to be received for processing and (ii) date of expected delivery or contract completion, and (iii) column to differentiate procurement method and evaluation criteria for consultancy.	Procurement Specialists	05/2020
application of schedule III covenants IFAD to make a decision with the application of schedule III covenants 4 and 5	IFAD	06/2020
Record Management Ensure that procurement records are coded making sure that each document is allocated a reference number with a front cover key for easy retrieval.	Procurement Specialists	06/2020
Contract Management Improve contract management tool for usability.	Procurement Specialists	06/2020
Reallocation request Submit to IFAD a request for reallocation of funds to balance the excess under certain categories in the STF loan	Financial Controller - PCO	06/2020
Correction of CAT Submit to IFAD a table to correct expenditure categories	Financial Controller - PCO	06/2020
Calculate salaries of RFU Calculate salaries of RFU staff and IT support since project commencement to include as government contribution	Financial Controller	06/2020
Registration of assets procured by grant beneficiaries Expand RUFEP fixed asset register to include assets procured by grant beneficiaries.	PS	

Zambia

Rural Finance Expansion Programme

Supervision Report

Logical Framework

Mission Dates: 11 - 22 May, 2020

Document Date: 24/06/2020

Project No. 1100001650

Report No. 5439-ZM

East and Southern Africa Division
Programme Management Department

Rural Finance Expansion Programme

Logical Framework

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2020)	Cumulative Result (2020)	Cumulative Result % (2020)	Source	Frequency	Responsibility	
Outreach	1.b Estimated corresponding total number of households members										
	Household members		35 000	700 000	67 030	1 798 110	256.9				
	1.a Corresponding number of households reached										
	Women-headed households		51 800	103 600		15 844	15.3				
	Non-women-headed households		18 200	36 400		61 731	169.6				
	Households		70 000	140 000	13 406	90 981	65				
	1 Persons receiving services promoted or supported by the project										
	Females		103 600	150 000	9 565	183 175	122.1				
	Males		155 400	150 000	3 841	176 447	117.6				
	Total number of persons receiving services		259 000	300 000	13 406	359 622	119.9				
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 (2020)	Cumulative Result (2020)	Cumulative Result % (2020)	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	4 493	158 302	158.3				
	Males		20 000	100 000	2 803	216 125	216.1				
	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 (2020)	Cumulative Result (2020)	Cumulative Result % (2020)	Source	Frequency	Responsibility	
	Banks		2	5	1	14	280				
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	50				
	1.1.6 Financial service providers supported in delivering outreach strategies, financial products and services to rural areas										
	Service providers		15	20	5	20	100				
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	0	0	0				
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	372 210	372 210	186.1				
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 (2020)	Cumulative Result (2020)	Cumulative Result % (2020)	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	2	141	56.4				
	Females		100	250	5	212	84.8				
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	8 028	375 159	1 875.8				
	Users of new financial delivery models							mplementing partner reports			
	Users		7 000	20 000	8 028	375 159	1 875.8				
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	83						
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	300	2 768	184.5				
	1.1.5 Persons in rural areas accessing financial services										
	Total number of accesses to financial services				6 155	25 565					
	Women in rural areas accessing financial services - savings		5 600	15 000	5 072	14 528	96.9				
	Men in rural areas accessing financial services - savings		8 400	15 000	1 083	11 037	73.6				

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2020)	Cumulative Result (2020)	Cumulative Result % (2020)	Source	Frequency	Responsibility	
	Total persons accessing financial services - savings				6 155	25 565					
	CBFIs that have been linked to FSPs							CBFI Promoter reports			
	CBFI		7	20	23	45	225				
	CBFIs that have started using at least one new financial product/service							CBFI Promoter reports			
	CBFIs		7	20	23	38	190				
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	1	21	300				
	Financial products, services and delivery models targeted at rural clients rolled out or expanded							Reports from implementing partners receiving grants			
	Number		1	2	0	12	600				

Zambia

Rural Finance Expansion Programme

Supervision Report

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

Mission Dates: 11 - 22 May, 2020
Document Date: 24/06/2020
Project No. 1100001650
Report No. 5439-ZM

East and Southern Africa Division
Programme Management Department

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

Table 1A: Financial performance by financier as at 30th April 2020

Financier	Appraisal (USD '000)	Disbursements (USD '000)	Per cent disbursed
IFAD loan	8 416	6 152	73%
Spanish Trust Loan	11 988	7 249	60%
Participating Institutions	3 298	3 879	118%
Government	2 613	464	18%
Total	26 315	17 744	67%

Table 1B: Financial performance by financier by component (USD '000) as at 30th April 2020

	IFAD loan			Spanish Trust Loan			Participating Institutions			Government			Total		
Component	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
Strategic Partnerships	4 216	2 388	57%	3 989	1 204	30%	1 138	157	14%	1 743	225	13%	11 086	3 974	36%
Innovation & Outreach Facility	4 200	3 222	77%	2 690	1 062	39%	2 160	3 723	172%		5		9 050	8 012	89%
Knowledge MGT & Prog Implementation	-	89		5 309	4 564	86%				869	110	13%	6 178	4 763	77%
Total	8 416	5 699	68%	11 988	6 830	57%	3 298	3 879	186%	2 612	340	13%	26 314	16 748	64%

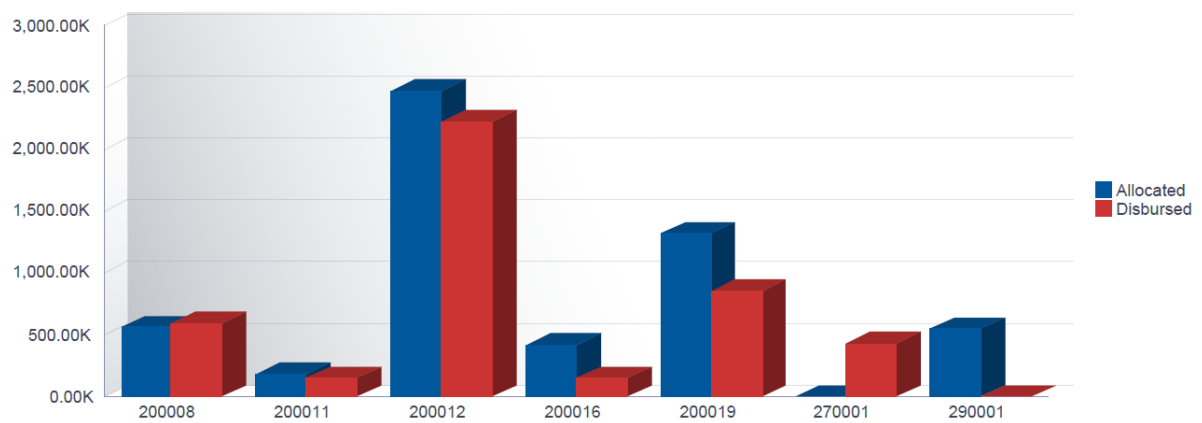
Table 1C: IFAD loan disbursements SDR

Category	Category description	Original Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
I	Equipment and Materials	180 000	149 184	-	30 816	82.88%
II	Training	1 320 000	854 558	-	465 442	64.74%
III	Consultancies	560 000	590 549	-	(30 549)	105.46%
IV	Grants & Subsidies	2 470 000	2 223 554	-	246 446	90.02%
V	Operating Costs	420 000	149 763	-	270 237	35.66%
	Initial deposit		431 267		(431 267)	0.00%
	Unallocated	550 000			550 000	0.00%
Total		5 500 000	4 398 875	-	1 101 125	79.98%

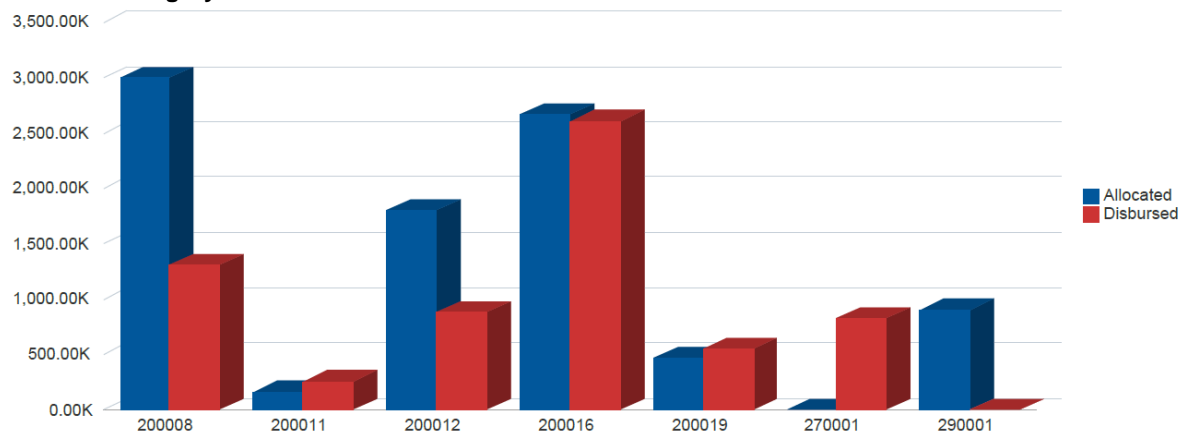
Table 1D: Spanish Trust loan disbursements EURO

Category	Category description	Original Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
I	Equipment and Materials	160 000	254 961	-	(94 961)	159.35%
II	Training	470 000	552 023	-	(82 023)	117.45%
III	Consultancies	3 000 000	1 306 400	-	1 693 600	43.55%
IV	Grants & Subsidies	1 800 000	883 417	-	916 583	49.08%
V	Operating Costs	2 670 000	2 607 822	-	62 178	97.67%
	Initial deposit		823 422		(823 422)	0.00%
	Unallocated	900 000			900 000	0.00%
Total		9 000 000	6 428 045	-	2 571 955	71.42%

IFAD Loan Category Allocations and Disbursements



STF Loan Category Allocations and Disbursements



Zambia

Rural Finance Expansion Programme Supervision Report

Appendix 2: Physical progress measured against AWP&B

Mission Dates: 11 - 22 May, 2020
Document Date: 24/06/2020
Project No. 1100001650
Report No. 5439-ZM

East and Southern Africa Division
Programme Management Department

Appendix 2: Physical progress measured against AWP&B at 30th December 2019

DESCRIPTION	Results	PHYSICAL PROGRESS							COMMENTS
Component/Output / Activities/Inputs	Indicators	Unit	2019 AWPB			Cumulative			
			AWPB Target	Actual	%	Appraisal Target	Result as at December 2019	%	
Component 1: Strategic Partnerships									
Output 1.1 Policy/regulatory framework developed that is conducive for financial service delivery in rural areas	Number of Banks/FSPs are operating rural agent networks with at least 30 agency outlets in un- and under-Banked rural areas. (Agency outlets 150)	Number	4	3	75%	5	15	300%	The cumulative result is much higher than appraisal target because during implementation the programme model was changed from establishing new agents to use of existing businesses to serve as agent outlets. In addition, Agora microfinance is a Super-Agent, meaning that it has all services integrated on its platform and so can serve many Agent outlets. A total of 1,128 Agent Outlets ¹ were operational by December 31 st 2019
	Activities								
	Carry out ToT of BOZ staff to be able to provide oversight support to MFIs	Persons	10	4	40%				4 out of 10 officers were trained in rural and agricultural Finance. Other trainings to be carried out later in 2020. Trainings expected to cover microfinance, rural and agriculture finance and financial inclusion policy.
	Carry out a review of the regulatory framework of agency banking	Report	1	1	100%				Diagnostic review ² report was done and is awaiting feedback from stakeholders expected to be provided in 2020. The BoZ will commence on the development of the Regulations internally
	Develop an M&E Framework for Financial Inclusion Initiatives	Report	1	0	0%				The process of developing an M&E framework to specifically look at financial inclusion initiatives has been delayed. A consultant is yet to be hired to carry out the survey that should inform the Framework
	Carry out the Finscope Survey	Report	1	0	0%				The survey preparation and design was completed and will be carried out in 2020.
	Carry out a review of the National Financial Education Strategy	Report	1	1	100%				Review completed and financial strategy launched officially in November 2019 ³
	Carry out sensitization campaigns on Financial Literacy and Financial Education	Report	1	1	100%				The traditional sensitization activities could not take place but the campaigns were conducted using electronic media. An M & E Framework ⁴ for the campaign to be developed
	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: 18000; Registered Users: 45,000	Registered users 40,591- Male- 25,355; Female 15,236;	11.2%, Users 73.6%	New rural branch accounts -100,000; Rural/ Urban People Registered for mobile money transfers- 200,000	Accounts- 1,438; Registered mobile money users-41,903 (26,142	Accounts: 7.9%; Registered Mobile Money Users : 43.1%	The low outreach of physical accounts 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. Number for 2018 (44, 227)

¹ The FSPs include: ETP - 3; Agora Microfinance - 1,100; 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 Relief Organisation (NACRO) - ; Supa Moto- ; and Zoona (whose 2 Operational outlets are 2 out 5); cGrate - 82 and 6 more FSPs including ZNBS, Speedpay, Kasama Christian Community Care, ZAZU Africa, Zayo Hub and UBA are yet to roll out their products

² Need to generate a popular version and Policy Briefs as a knowledge products and shared with stakeholders

³ Consider developing knowledge products out of this in form of Policy Briefs

⁴ RUFEP needs to support the IP with the development of the M & E framework for the sensitization campaign

DESCRIPTION	Results	PHYSICAL PROGRESS							COMMENTS
Component/Output / Activities/Inputs	Indicators	Unit	2019 AWPB			Cumulative			
			AWPB Target	Actual	%	Appraisal Target	Result as at December 2019	%	
				Youth 1,617 (included in total #) ⁵			Females:15,761 Males)		
	Activities								
	Carry out sensitization campaigns for promotion of mobile banking and linkage to banks	Reports	20	18	90%				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	879	129%				The response towards the mobile money transfers has been overwhelming because it's easier to use and saves time
	Facilitate the integration of mobile money platforms into normal operations of FSPs	Number	4	3	75%				Funds have been disbursed to four partners to be supported with the integration in 2019. ZNBS integration has been customized and is in the testing phase
Output 1.3 Wholesale lending to FSPs / MFIs / Value Chain Actors for on-lending in the agricultural sector	Operating manuals for the refinance facility developed by DBZ approved by the BOZ	Manuals	2	1	50%	2	1	50%	Gender policy completed and awaiting dissemination to stakeholders. Baseline study done to inform the design of manuals on Re-finance systems in agricultural lending. The study report is yet to be shared to the MFIs and Banks ⁶
	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. ⁷
	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 whole sale lending modalities (Previously set as LoC at design). Thus lending has not commenced yet
	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 wholesale lending
	Activities								
	Recruit external reviewer for the Gender Policy Manual	Reviewer	1	1	100%				Done using internal capacity and reviewer recruited to finalise it.
	Recruit a consultant to develop the Agricultural Refinancing Manual	Consultant	1	1	100%				Consultant recruited and assessment completed. Manual to be developed in 2020
	Organise a sensitization workshop for MFIs and FSPs on DBZ Financial Products for the Rural Agricultural Sector	Workshop	1	0	0%				Not done. Awaits the manual to be completed
	Train DBZ staff in rural and agricultural finance	Staff	4	4	100%				Done to equip the staff with skills to be able to appraise the FSPs/MFIs
	Output 3: New CBFIs have been created and	Number of newly formed CBFIs and existing CBFIs strengthened	Number	New CBFIs-; New			New CBFIs-1,500; New Members: 30,000; Old	New CBFIs- 2,941; New Members:40,50	New CBFIs-%; New

⁵ Figures require confirmation from the M & E system – **Have been confirmed.**

⁶ Possible knowledge products can be developed too

⁷ The RFP fund was transferred to DBZ as a loan by MoF at the end of the project and therefore now forms part of the overall Balance Sheet and is not ring fenced as a special fund.

DESCRIPTION	Results	PHYSICAL PROGRESS							COMMENTS
Component/Output / Activities/Inputs	Indicators	Unit	2019 AWPB			Cumulative			
			AWPB Target	Actual	%	Appraisal Target	Result as at December 2019	%	
existing ones strengthened and operate sustainably - being monitored by SaveNet			Members: ; Old CBFIs- ; Old Members-			CBFIs- 1,000; Old Members- 20,000	6 ; Old CBFIs- 15,730; Old Members- 331,704	Members: % ; Old CBFIs- ; Old Members- 8	
	Activities								
	Identify and train field agents to cascade the training on standardized savings methodology	Number of Field agents	20	20	100%				
	Cascade the Training on standardized savings methodology to the CBFIs through its membership	CBFIs through member organizations	New CBFIs-; Old CBFIs Total CBFIs: ⁹				96		9 Member organisations were trained in the standardization of savings methodology, who then will train their CBFIs. 96 CBFIs trained with membership of 1,774 (women 1,340). 29 members organisations were yet to be trained
	Identify FSPs to work with CBFIs	Number	5	5	100%				1 Bank ¹⁰ 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 ¹¹		Information will be tracked on number of CBFIs linked to FSPs, Number of CBFIs Operational After creation; Number of CBFIs retaining at least 60% of membership after 3 years
	Number of CBFIs using the financial products and services and/or Proportion of CBFI members using credit versus non-credit products and services.	Number & Percentage	Number of CBFIs-; Proportion of CBFI Members using Credit Vs Non-Credit Products(Savings and Insurance) -			Number of CBFIs-750 (New and Old); 40% of CBFI Members using Credit Vs Non-Credit Products(Savings and Insurance)-			An estimated 30% of the (1,500 new and 1,000 old CBFIs) will be using financial products provided by the FSPs ¹²
	Activities								

⁸ Monitoring expected to be done on a quarterly basis. Targets and the results need confirmation. A strategy being developed for carrying out advocacy Campaign

⁹ Both targets and results not known and need verification and confirmation. The target is dependent on the member organisations.

¹⁰ ZANACO already working with SaveNet. Work with the 4 identified MFIs not yet started- Further clarification of the methodology is required from SaveNet

¹¹ Need to do some tracking studies on the sustainability of the CBFIs. SaveNet to do this assessment through a simple questionnaire template. Analyze some existing

¹² To be analyse from their M & E system of SaveNet. AOS to be a starting point focus should be on savings and social fund used by the group as a kind of insurance

DESCRIPTION	Results	PHYSICAL PROGRESS							COMMENTS
Component/Output / Activities/Inputs	Indicators	Unit	2019 AWPB			Cumulative			
			AWPB Target	Actual	%	Appraisal Target	Result as at December 2019	%	
	Carry out monitoring on the CBFIs to assess performance in terms of linkage to FSPs	Number of CBFIs	New CBFIs-; New Members: ; Old CBFIs- ; Old Members- 13						We can draw conclusions on CBFi linkage from the Randomized Control Trial. SaveNet is yet to have the linkage to CBFIs done and is in the 2020 Plan with Zanaco
	Facilitate member organizations to pilot use of Mobile phones for savings	Number	3	2 ¹⁴			2		SaveNet is yet to work with all the targeted FSPs who will provide mobile banking/ agency services
Output 4: Improved capacity of macro-level institutions supporting the rural finance sub-sector	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	10	111%				All 10 staff will be trained in various thematic areas. So far 2 officers did a short online course on insurance index. The other trainings have been postponed to a date to be announced later.
	Disseminate the RFPS to stakeholders	Copies	400	400	100%				All policies given out at the consultation meeting on rural finance 103 participants who included universities, BOZ, FSPs, line ministries
	Carry out a review of existing regulations for the Rural Finance sector	Report	1	0	0%				Preliminary review activities have commenced. Position Paper to be developed once the review is completed to aid the direction in which rural finance policy could move towards.
	RFU has taken lead and improved sector coordination, holding coordination meetings at least twice a year.	Reports	2	2	100%	14	4	29%	Meetings held. RFU coordinating the SME, Rural and Agriculture Subsector meeting group which meets once every quarter. Rural Finance Consultative Meeting is also convened by RFU
	Activities								
	Develop the RFU portal	Number	1	0	0%				Proposal to develop link to the main MoF Website and not a separate RFU portal under discussion. In the meantime, the unit is collaborating with the line ministry on development of the content to be uploaded
	Organise sub working group meetings for the National Financial Inclusion Strategy (NFIS)	Meetings	4	3	75%				3 Coordination meetings held
	Facilitate review of the National Strategy on Financial Education (NSFE)	Strategy report	1	1	100%				Completed awaiting dissemination

¹³ Need to get information from here

¹⁴ Information required from SaveNet. SaveNet should provide information from ZANACO MoU. Roll out has been delayed due to COVID. Opening of accounts with ZANACO

DESCRIPTION	Results	PHYSICAL PROGRESS							COMMENTS
Component/Output / Activities/Inputs	Indicators	Unit	2019 AWPB			Cumulative			
			AWPB Target	Actual	%	Appraisal Target	Result as at December 2019	%	
	Organise a national level stakeholders meeting (Indaba) for Rural Finance sector	Meeting	1	1	100%				Meeting held and policies disseminated
	Facilitate support to the Finscope Survey	Report	1	0	0%				Coordination meeting held in December 2019 Actual survey to be done in 2020
	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. TORs have since been developed and an EOI sent out. Selection team has been put together and modalities being worked on how the evaluation can be conducted.
	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	1	25%	28	1	4%	AMIZ is expected to collect, analyze and disseminate information in form of briefs to the member MFIs. In 2019 a number of engagements had been undertaken by AMIZ to help the sector.
	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 members including their updated outreach. The tool is currently under review by the PCO. ¹⁵
	Review and Update draft policy documents for AMIZ	Policies	4	3	75%				1 Strategic Plan developed ¹⁶ 1 HR Manual 1 Finance Manual
	Carry out resource mobilisation drives	Reports	5	0	0%				These could not be done as the strategic plan on which they were to be anchored was not yet completed ¹⁷
	AMIZ/SaveNet organizing best practices quarterly courses for members on a cost share basis.	Courses	1	2 ¹⁸	200%	8	2	25%	Trainings 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 was underway and should have been conducted in March 2020 with members subscribing, however, it has been postponed.
	AMIZ achieving at least 80% collection of dues and membership fees annually.	Percentage	10	6 ¹⁹	60%	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

¹⁵ The listing that has so far been compiled needs to be improved to develop a database

¹⁶ RUFEP to assist in improving it. AMIZ to use table 1 in the current document which contains expectations of stakeholders to build on it to develop a more comprehensive action plan as well as monitoring framework

¹⁷ A comprehensive action plan should be developed to inform the mobilisation drives

¹⁸ 1 training was conducted for SaveNet members and 1 for RFU staff on the savings methodology

¹⁹ Dues were collected from all current 6 members of AMIZ. AMIZ Membership expected to grow

DESCRIPTION	Results	PHYSICAL PROGRESS							COMMENTS
Component/Output / Activities/Inputs	Indicators	Unit	2019 AWPB			Cumulative			
			AWPB Target	Actual	%	Appraisal Target	Result as at December 2019	%	
	SaveNet created and facilitating coordination of CBFi industry development and linkage to international best practices.	Number	1	1	100%	1	1	100%	SaveNet set up in 2017, with a membership of 32 Development Organisations 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 ²⁰	0%				Operational Plan developed following capacity assessment, but not yet implemented. SaveNet requested for a No Cost extension as the move had not yet been implemented. A resource mobilization plan also developed
	Develop a website for facilitating sharing of information with stakeholders	Website	1	1	100%				Done. Also social media platforms have been set up as well as a webpage
	Develop an Operational manual for SaveNet	Manual	1	0	0%				Not yet done. Awaits finalization of the Operational Plan.
	Organize the annual general meeting of members	Minutes	1	1	100%				The annual general meeting was held. Also a savings group conference attended by other sector players such as BoZ, MFIs who are not members of SaveNet held. An emergency board meeting was held to look into resource mobilisation and sustainability of SaveNet
	Carry out awareness raising and mobilisation on SaveNet activities	Reports	4	4	100%				Campaigns were carried out in 9 provinces
	Carry out Monitoring and Supervision on the operations of the member activities visits to beneficiary CBFIs supported by SaveNET members	Reports	4	3	75%				3 visits were conducted ²¹
	Identify interested CBFi Linkage partners	Partners	5	5 ²²	100%		1		An MoU has been signed with Zanaco to support the linkages and a roll out plan prepared. SaveNet to start implementation with the Savings Groups in 2020. Out of the 3 identified partners, Zanaco was the only responsive one.
	AMIZ/SaveNet Improved self-sufficiency	Institutions	2	2 ²³	0%	2		0%	Self Sufficiency is assessed on the basis of 100% OSS, presence of Skilled Staff, Operational Office, Manuals. The staff have been recruited and manuals developed.
	Activities								
	Carry out monitoring and supervision to assess the performance of SaveNet and AMIZ	Reports	4	1	25%		3		The PCO holds quarterly performance review meetings with SaveNet and AMIZ where performance is discussed. The institutions are being monitored closely and meetings held to ensure that the exit of RUFEP has been well factored in.

²¹ Ensure to collect outcome related information on both social impact and financial impact during the visits and include it in the reports

²² 1 Bank (Zanaco) and 4 MFIs identified for the linkages. Only Zanaco agreed to partner on the village banking account, whose access is mainly through the express agents

²³ PCO/Caiaphas to cross check this information on SaveNet and AMIZ. OSS is an indicator for MFIs and not Networks. We may need to review this one

DESCRIPTION	Results	PHYSICAL PROGRESS							COMMENTS
Component/Output / Activities/Inputs	Indicators	Unit	2019 AWPB			Cumulative			
			AWPB Target	Actual	%	Appraisal Target	Result as at December 2019	%	
Output 1.4: Apex Organizations operational and providing effective support to MFIs and CBFI Promoters	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	18 ²⁴	11%	2,000	21	1.05%	Most of the trainings have been postponed. It is hoped that some of the planned trainings could take place towards the end of the year. Previously 21 people were trained in various course.
	Activities								
	Carry out training of master trainers under SaveNet	Persons	32	20	63%				This was done for 20 members
	Carry out a training of CBFIs on the Standardized savings methodology and linkages	Groups	320	259 ²⁵	80.94%				259 groups trained on the methodology and as well as linkage.
	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 ²⁶
	Activities								
	Carry out monitoring on beneficiaries of the rural financial services using the services	Number of Beneficiaries using the services	²⁷						
Component 2: Innovation and Outreach Facility									
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		²⁸		5	11	220%	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		40,591	%	190,000	²⁹	0.0%	Savings accounts : - Group Loans:-, Digital Loans:-, Cash Outs:-, Cash-ins:- , Remittances -Sending:-

²⁴ The trained staff include 14 from RFU, 2 from BOZ, DBZ 2,---Confirm number and institutions trained . This is correct

²⁵ This information requires to be disaggregated by gender

²⁶ Information not available but could be obtained from post training evaluation reports

²⁷ Data not available and it needs to be collected

²⁸ Need to confirm with Caiaphas which are

²⁹ Data needs to be confirmed, Targets from agreements and results from the reports. To confirm cumulative for past years. The higher result is due to Agora being a super-agent, with a large network of outlets about 30,000

DESCRIPTION	Results	PHYSICAL PROGRESS							COMMENTS
Component/Output / Activities/Inputs	Indicators	Unit	2019 AWPB			Cumulative			
			AWPB Target	Actual	%	Appraisal Target	Result as at December 2019	%	
									RemittancesReceiving 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 ³⁰
	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%	Awaits the Finscope survey 2020
	Activities								
	Orient staff of FSPs on new Financial Products	Persons	15						Awaits the Finscope survey 2020
Output 2: IOF effectively operated to test Innovative financial products and delivery mechanisms for the agriculture and rural areas	At least 1,500 mobile and bank agents registered and operating successfully.	Number	300	258	86%	1,500	1,623	108%	The higher result is due to many outlets achieved due to Agora Microfinance ³¹ being a super-agent. With all services integrated on their platform.
	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	12 ³²	60%	48	44	92%	The grants are awarded under three windows i.e. CBFI Linkage, Agency and Mobile Banking and Rural equity. The LoP Target was scaled down to 48 grants at MTR from the original 154 grants, based on the available resources.
	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%
	At least 20% CBFIs linked to formal FSPs for savings and other services such as credit lines	%	20	44 ³³	220%	20	86 ³⁴	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	4	400%	7	10	143%	4 Engagement meetings were held in 2019 with stakeholders - CBFI linkage partners, AMIZ to stimulate the sector, the programme quarterly review meetings, the Rural and Agriculture finance working group meetings
	Specific events organized events for dissemination organized for stakeholders(include workshops, publications, e-mails, conferences, websites, etc.)	Reports	5	4	80%	35	24	69%	1 Knowledge management strategy dissemination workshop, 1 M & E orientation meeting for staff of partner institutions on simpler data collection tools , 2 dissemination workshop of the results of the randomised control trials with CBFI promoters and with strategic partners

³⁰ Awaits the Finscope survey

³¹ Need to confirm how many agents are under Agora - Confirmed

³² 15 Approved but 3 dropped off and there are plans to replace them by September 2020

³³ 244 out 552 CBFIs linked to savings products because they have no charges

³⁴ To obtain results from previous years 489 out of 566 CBFIs linked

DESCRIPTION	Results	PHYSICAL PROGRESS							COMMENTS
Component/Output / Activities/Inputs	Indicators	Unit	2019 AWPB			Cumulative			
			AWPB Target	Actual	%	Appraisal Target	Result as at December 2019	%	
	PCO have developed/procured data collection and analysis tools such as PULSE	Reports				1	1	100%	PME MIS procured and installed and updated to PlaMIS to improve both physical and financial monitoring linkage.
	PCO have collected, analysed and disseminated sector information to relevant stakeholders quarterly and annually	Reports	4	2	50%				Stakeholders invited to look at the data from the Randomised Control Trial and a dissemination done.
	PCO have prepared accurate quarterly and annual reports on time	Reports	5	4	80%	35	29	83%	
	At least 2,000 participants are reached by events organized for stakeholders.	Persons	6,000	11,000	183%	2,000	11,000	550%	Participants mainly obtained during the road shows as well as financial week
	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: 11 - 22 May, 2020
Document Date: 24/06/2020
Project No. 1100001650
Report No. 5439-ZM

East and Southern Africa Division
Programme Management Department

Appendix 3: Compliance with legal covenants: status of implementation

Section	Covenant	Target / Action Due Date	Compliance Status / Date	Remarks
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 endorsed by NSC and approved by IFAD. To be improved according to the Mission recommendations
(f)	A standard separate financial management software acceptable to the Fund shall have been installed and operational	Precedent to withdrawal	Complied	Sage Pastel Accounting software installed and fully operational
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	It is planned that the MTR will be conducted in November 2018
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)		Partially complied	Not implemented for grantees. During the supervision, the PCO raised a concern about the interpretation of the Special Covenants 4 and 5, Schedule III of the FA and whether these covenants shall be applicable to all SPs (Strategic Partners and Grantees) or just only to the

	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.			Strategic Partners. This issue is brought to the attention of IFAD FMD and the Legal Department as there is a need to provide a further clarification to PCO.
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	