

Zambia

Rural Finance Expansion Programme

Supervision Report

Main report and appendices

Mission Dates: 14-24 May 2018
Document Date: 03/09/2018
Project No. 1100001650
Report No. 4804-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

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:	Abla Benhammouche		
Project Director:	not available yet		
Project Area:	not available yet		

Approval Date	11/12/2013	Last audit receipt	12/07/2017
Signing Date	22/07/2014	Date of Last SIS Mission	25/05/2018
Entry into Force Date	22/07/2014	Number of SIS Missions	6
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: 14-24 May 2018

Days in the field:

Mission composition: Ms Abla Benhammouche, IFAD Country Director, with the participation of Ms. Teresa Maru-Munlo (Programme Management Specialist/Deputy Mission Leader); Mr Dick Siame (Country Programme Officer, Monitoring and Evaluation Specialist); Mr. Fabrizio Vivarini (Financial Management Specialist) and Mr Waseem Khan (Procurement Specialist)

Field sites visited: Lusaka, Petauke, Chipata

B. Overall Assessment

Key SIS Indicator #1	Ø	Rating	Key SIS Indicator #2	Ø	Rating
Likelihood of Achieving the Development Objective		4	Assessment of the Overall Implementation Performance		4

Effectiveness and Developmental Focus	4	Project Management	4
Effectiveness	4	Quality of Project Management	5
Targeting and Outreach	4	Knowledge Management	4
Gender equality & women's participation	5	Value for Money	4
Agricultural Productivity	4	Coherence between AWPB and Implementation	3
Nutrition		Performance of M&E System	5
Adaptation to Climate Change	4	Requirements of Social, Environmental and Climate Assessment Procedures (SECAP)	4

Sustainability and Scaling-up	5	Financial Management and Execution	4
Institutions and Policy Engagement	6	Acceptable Disbursement Rate	3
Partnership-building	5	Quality of Financial Management	5
Human and Social Capital and Empowerment	4	Quality and Timeliness of Audit	3
Quality of Beneficiary Participation	5	Counterparts Funds	6
Responsiveness of Service Providers	4	Compliance with Loan Covenants	4
Environment and Natural Resource Management	4	Procurement	5
Exit Strategy			
Potential for Scaling-up			

Relevance

C. Mission Objectives and Key Conclusions

Background and Main Objective of the Mission

1. The overall objective of the Mission was to review progress of, and provide support as may be necessary for effective implementation of the Programme. The central objectives of the Mission were to evaluate the overall progress of RUFEP implementation in reference to its achievement of development objective and goal and provide necessary assistance to the government to improve implementation. Specific objectives included; a) to establish the effectiveness (or lack thereof) of the mechanisms put in place for the implementation of aligned activities; b) undertake field visits to interact with the beneficiaries to assess benefits reaching them and receive their views on how improvements can be made and systems created sustained; c) review fiduciary aspects, focussing on financial management, disbursement and procurement issues and assess provision of counterpart funds in terms of amount and timeliness, and compliance with loan covenants; d) overview of issues affecting sustainability, including but not limited to; institutions and policy engagement, partnership building, human and social capital and empowerment, beneficiary participation, responsiveness of service providers and exit strategy; and e) check actions taken on the last Mission's recommendations.

The Mission met with Ministry of Finance (MoF), Strategic and Implementing Partners. The Mission also reviewed the minutes of the Programme Steering Committee (PSC) and the Programme Vetting Committee (PVC). The Mission met and held discussion with Strategic Partners SPs and Implementing Partners (IPs) in Lusaka, Petauke and Chipata in Lusaka and Eastern Provinces respectively. The field trips were undertaken, jointly with the RUFEP personnel. During the field visits the Mission met with IP managers and respective beneficiaries. A short debrief was held with each partner at the end of the visit.

Pre-wrap and wrap up meetings were held with the PCO and MoF respectively to discuss the draft Aide Memoire. Based on the comments provided by the PCO, the final Aide Memoire was prepared and forwarded to MoF for review and signing. The Aide Memoire was signed by Dr, Emmanuel Mulenga Pamu, Permanent Secretary-Budget and Economic Affairs, Ministry of Finance (MoF) and Ms Abila Benhammouche, the IFAD Country Director.

Key Mission Agreements and Conclusions

1. The MoF through the PSC provides a strong governance to RUFEP, and has been instrumental in providing guidance on fast tracking delayed activities, including procurement. The Programme has good operational and financial systems that are useful in tracking progress, and providing a sound basis for corrective action. The pace for implementation continues to increase with increased partnerships and activities. The establishment of the Rural Finance Unit (RFU), implementation of Association of Microfinance Institutions of Zambia (AMIZ) activities and improvement Window 3 of Component 2 activities will further improve performance of the Programme and ensure activities and disbursements are balanced up between the three components.

Overall, the Programme's physical and financial performance has been low for a programme that is in its fourth year of implementation. The disbursement rate (IFAD loan and STF grant) is below par at 32.5% of the total allocation and actual expenditures amount to USD 5.7 million or 22% of the total programme budget. The disbursement has markedly improved compared to what was reported during last Mission: for IFAD loan, the current disbursement including Withdrawal No. 16 is 33%, up from 15%, while the current disbursement rate for the Spanish Fund including Withdrawal No. 13 is 38%, up from 22%. The programme has a good pipeline that will increase disbursement to 42.33 % by or before end of 2018. Even though the Programme has been affected by a low delivery rate during the initial years of implementation, it continues to demonstrate satisfactory trends in regard to value for money, as evidenced by its efficiency and activities implemented in respect of the anticipated budgets.

The Programme reporting has improved further as evidenced by more details as advised by the previous Mission, but the Mission noted that the quarterly, and subsequently annual reporting can be improved, to make them more focused and reader friendly, especially in line, not only with the work plans, but also with agreed indicators in the approved Log frame. The Mission recommended that the PCO should complete the preparation of the 2017 Annual Progress Report, and also, review quarterly progress reports content in line with outcomes and outputs, and subsequently review partner templates and include reporting as part of the orientation.

The PCO has improved synergies between programme finance management and partner implementation activities in a bid to reduce variances. The Mission encouraged the PCO not to slow down its efforts in developing grant pipelines on a continuous process. The Mission noted that the process had slowed down in the last quarter as evidenced by the reduced number of grant applications reviewed by the Programme Vetting Committee (PVC),

and this may reverse the gains of reduced grant process turnaround time as reported during last Mission, and also the reduced variances in disbursements. The PCO explained that the slowdown was largely attributed to the time that was required to process grant agreements and ensure disbursements were done for the projects that were approved by the PVC in December 2017.

Given this background, the Mission is of the view that the Programme's likelihood of achieving the development objective is satisfactory. Already the programme through the recruited IPs has reached 40,719 persons in the last two years, and 86.98% are women. With new partnerships, there is high likelihood that RUFEP will surpass the targets. With several IP agreements fully executed, and as reporting is streamlined it is clear that good progress has been made with several outputs.

D. Overview and Project Progress

1. The Mission noted that, agreed actions from last Mission had been completed, but some are on-going, but overall, the PCO had implemented all agreed actions. The Mission noted that the on-going actions, need to be monitored closely and these include; the Development Bank of Zambia (DBZ) credit to rural FSPs; partner reporting, programme reporting and knowledge management.

Component 1: Strategic Partnerships is rated **moderately satisfactory (4)**, RUFEP currently has seven (7) SPs, managing projects with a total cost of USD 2,842,882 of which only 29.3% has already disbursed. However, the PCO has projected to disburse a total of USD 2,358,000 in 2018, and this means that by the end of the year, a total of 33.6% of the budget will be used up. However, discussions with RUFEP and partners indicate that there are various activities being planned, and furthermore RUFEP will continue recruiting new partners. Under this component, two out of the three outputs are on track to be achieved and these are improved capacity of macro-level institutions and development/enhance of rural finance policies and regulations. RUFEP in collaboration with other partners has supported the development and the launch of the National Financial Sector Development Policy (NFSDP) and the National Financial Inclusion Strategy (NFIS) 2017. RUFEP has also supported the launch of the Rural Finance Policy and Strategy, and creation of awareness on the Moveable Property Registry System (MPRS). Preparatory works to achieve the third output, which is to do with wholesale lending have started by way of bank policy review, staff training and plans for a baseline survey of rural financial institutions. A total of 34 partner staff have been trained and 14 stakeholder forums have been held reaching 963 in financial sector leadership positions of whom 587 were men and 376 women. Bank of Zambia (BoZ) in collaboration with RUFEP has done well financial literacy workshops in rural areas, reaching 963 community members in 8 districts, and they have plans to reach more 20 districts. From these workshops BoZ has started to engage commercial banks to respond to complaints and concerns raised by the communities. Going forward BoZ plans to strengthen the consumer protection regulations. As part of regulations development, BoZ with RUFEP support engage a consultant to carry out a study on agency and mobile banking.

While DBZ's initial staff training, was of a generic nature and precipitated concerns from the PCO and the last Mission, the situation has since being rectified by DBZ through development of plans more in line with the Programme objective. These include review of credit and gender policies, and also initiating discussions with two MFIs regarding a credit line.

SaveNet is now fully established and registered with staff and an interim Board. Recruitment of new members and development of master training material has started. Since the last Mission, 10 new member organizations have been recruited bringing to 29 the total SaveNet membership, which means the total number of groups reached and beneficiaries has also increased. In regard to creating linkages between groups and FSPs, SaveNet has already held preliminary discussions with 2 commercial banks; Zambia National Building Society (ZNBS), and Atlas Mara Bank and one MFI, Vision Fund Zambia (VFZ). They are also in discussion with Risk Shield and MTN. Some of the products being explored include savings, investment fund, and insurance and mobile payments. So far SaveNet has identified potential partners that include Zambia National Commercial Bank (ZANACO), National Savings and Credit Bank (NATSAVE) and Atlas Mara.

The other SPs partners have just started activities and have little to report. These include Consumer and Competition Protection Commission (CCPC), Financial Sector Deepening Zambia (FSDZ) and Ministry of Community Development and Social Services (MCDSS). After a very slow start the Rural Finance Unit (RFU) is now set up, and will start implementing the work plan. Also, at AMIZ plans are advance to start implementing the planned activities.

Component 2: innovation and outreach facility is rated **satisfactory (5)**. To date the programme has signed 23 grant agreements with IPs, seven (7) under window 1, eleven (11) under window 2 and five (5) under window 3. This is 32% of what is to be achieved by end of the Programme period. Given the 15 month initial delay and time taken at the beginning of the Programme to develop systems, this is commendable, and based on this track record it can be safely concluded that the set target will be realized. The partner contribution is above the target of 10% in both window 1 and 3, while it is above 50% in window 2. Two (2) out of five (5) new products/delivery mechanisms have been introduced by three IPs (VFZ, Microloan Foundation) with support of RUFEP, and these are agency banking and mobile money.

Under window 1 the linkages process was initially delayed by the RCT studies, but work by various partners has started and is progressing well. The activities under the CBFi linkages window for all the 4 existing implementing partners had been considerably delayed because of their involvement with the Randomized Control Trial (RCT) study with the University of Mannheim which was not foreseen at the time of design. The RCT requirements introduced pre-requisites to implementation of activities, for example the need for a baseline study before start of activities, the need to train all the groups regardless of maturity level, and the random sampling which could actually exclude mature groups from linkages and allow nascent groups to be prioritized for linkages. Also, some of these additional and unforeseen activities such as additional frequent monitoring increased implementation budgets forcing partners to revert to RUFEP for additional grants. But significant progress has been made; four IPs have reported training of 522 groups, while a fifth IP is testing a mobile loan product with 40 groups.

Window 2 is the most popular of the three windows, and has attracted eleven partnerships, all with varied

innovations in mobile and agency banking focused on rural areas. Some partners sought support to invest either in development of new systems or upgrade, while others are using the funds to introduce agency and mobile banking. The partners are varied and include Value Chain Developers (VCDs), Microfinance Institutions (MFIs), Mobile Network Operators (MNOs), and financial technology (Fintechs) companies. Commercial banks are collaborating with some of these partners. Six grants were disbursed in March alone, and therefore, based on this trend, this window is most likely continue receiving the most inquiries and applications.

Window 3 has been slow moving until the immediate past quarter. The PCO had explained to the last Mission in November that there were two reasons that contributed to the low uptake, first there seemed to have been confusion around the term “Equity” which has been cleared through one on one sensitization. Secondly, some potential applicants had explained that the amount limit was too small. Rather than relying on the call for proposals, the PCO has adopted a combination of call for proposals and one to one visits to potential applicants to explain how the grant works. This has resulted in two (2) partnership agreements since the last Mission. And this brings to five (5) partnerships under this window, and one is under process.

The Programme has a sound financial management system, which can generate various customized progress reports that show clear variances on a need basis, for the various stakeholders. The Monitoring and Evaluation (M&E) system is established, and can be used to generate different kinds of progress reports. However, the PCO needs to build IP capacity to provide useful base information, which can ensure M&E system can be used to generate results oriented reports. The PCO informed the Mission that they have been supporting partners to stream line and align their own M&E systems, to ensure better reporting.

The PCO has a strong team that works well together, and understand the Programme objective, and are committed to achieving the same. To date the PCO has been responsive to Mission queries and concerns, and have implemented actions as agreed. Even though the Programme is still behind schedule with several partner activities, they have developed strategies to fast track activities by intensifying recruitment of new partners and streamlining the assessment of applicants to minimize the grant approval and disbursement turnaround time. They also provide technical advice and backstopping support to applicants and partners on need basis in order to fast track processes. The PCO regularly monitors of partners, to undertake progress reviews and identify areas for further improvement. The feedback from partners in regard to value added by RUFEP is all positive.

The beneficiaries are happy with the innovative services provided by the IPs, reporting that the innovations are bringing financial services closer to them, and building their capacities. Through group participation and support from RUFEP partners, beneficiaries have been able to borrow small loans which they have invested in farming, house construction, house improvement, school fees, medical, better household nutrition and limited asset acquisition. They have also been able to save, and some have opened accounts with banks for the first time.

E. Project implementation

a. Development Effectiveness

Effectiveness and Developmental Focus		
Effectiveness	Rating: 4	Previous rating: 4

Justification of rating

For quarter one 2018, 47% of the physical targets are on-going and on schedule, 12% are delayed while 3% are on-going but delayed. 7% are completed, and 13% are not yet due while 1% are either cancelled or postponed. More delays have been occasioned with Component 1, but this is shortly going to change positively, as establishment of the RFU is completed, and also AMIZ is set to start implementation. Furthermore, activities under Component 2 Window 3 that had stalled, have started to build up. The pace of implementation is going to increase with new partnerships, because the processes are now well established requiring minor modifications unlike in the past two years where most processes were new to both RFEP and the partners.

Log-Frame Analysis & Main Issues of Effectiveness

The Log Frame has been revised once more since the last mission, in accordance with the new IFAD Guidelines, reducing the number of indicators from 69 to 27 Core Indicators in the current LF, which adopted the Operational Results Management System (ORMS). The Mission noted that IFAD needs to officially endorse the revised LF to avoid potential misunderstandings with future Missions or Mid-Term Review. RUFEP is measuring outputs, but has yet to start measuring outcomes due to delays on start-up and signing of Partnership Agreements with its partners who are the main implementers of its interventions. The delays in grant application and implementation activities were not foreseen at design. Initially application process took up to 16 weeks because of the learning on both the Programme side and the partners' side, but has been considerably reduced to 7 weeks during the last half year. The third delay was occasioned by the requirements of the Random Control Trial (RCT) Study with the University of Mannheim. The RCT introduced pre-requisites to implementation of activities, for example the need for a baseline study before start of activities, the need to train all the groups regardless of maturity level, and the random sampling which could actually exclude mature groups from linkages and allow nascent groups to be prioritized for linkages. These delays resulted in delay or led to slow pace of implementation of activities by various partners. But the PCO has put in place a fast track plan.

Development Focus		
Targeting and Outreach	Rating: 4	Previous rating: 4

Justification of rating

RUFEP has reached 40,719 beneficiaries nationwide as at 31 December, 2017. Since 2017 RUFEP has increased its outreach to all provinces and districts. This has been made possible by activities undertaken by SPs such as BoZ; DBZ; SaveNet and CPCC which have a national character. The low outreach figure can be attributed to the late start-up of RUFEP, delayed for almost 1 year coupled with the non-implementation of up to 50% or more of planned activities. Targeting and Outreach activities by RUFEP through its IPs and SPs are embedded in most of its processes including joint planning, progress reporting including monitoring and backstopping. RUFEP also conducts targeted field visits to engage directly with beneficiaries on matters of programme delivery including their participation and interaction with IPs and of late with SPs.

Gender equality & women's participation	Rating: 5	Previous rating: 4
---	-----------	--------------------

Justification of rating

RUFEP has ensured that its interventions, are gender responsive in line with "The Gender and Poverty Responsiveness Checklist" guidelines found in its PDR. Given its target of reaching 140,000 (50% women and 25% youth) beneficiaries, as at end of 1st Quarter, RUFEP had reached 40,719, of whom 35, 373 were women. Groups visited (Chikulo and Hospice Savings Groups), in Petauke District, had a predominance of women membership. The youth represented about 50% of membership in both groups. The women explained that low men representation is due to men's lack of commitment especially on loan repayments. Group listed some of the benefits they received from RUFEP partners which ranged from asset acquisition (house; livestock; shop; land; bicycle) and school fees.

Agricultural Productivity	Rating: 4	Previous rating: 4
---------------------------	-----------	--------------------

Justification of rating

RUFEP beneficiaries predominantly derive their livelihoods from agricultural production and therefore its activities on financial inclusion has a direct bearing on how access to rural finance services can benefit agricultural development and increase production. Although agricultural productivity is not the objective of interventions of all RUFEP IPs, most of them increased agricultural productivity (milk, tomato, maize, and groundnut) which improves sales and home consumption. The members of the Chikulo and Hospice Savings Groups in Petauke district informed the Mission that they used about 50% or more of their savings to buy agricultural inputs, labour and ploughing. Safwa and Khamalidyese Savings Groups in Chipata district also attested to similar usage of their savings

Main issues

The main issue is how RUFEP will incorporate this in its M&E System and ensure that required data capture is adhered to by its IPs. This may require revising Partnership Agreements to accommodate this requirement and actual data may be obtained from programmes directly executing interventions on agricultural productivity.

Nutrition	Rating:
------------------	----------------

Adaptation to Climate Change	Rating: 4	Previous rating: 4
-------------------------------------	------------------	---------------------------

Justification of rating

RUFEP has no direct interventions on adaptation to climate change, but it has taken preventive measures through the creation of awareness and sharing knowledge on the subject based on the Theme Greening the rural financial sector among its partners. RUFEP has ensured that IPs and SPs disseminate relevant information to its beneficiaries on adaptation to climate change in all their interventions. This was evident during discussions between the Mission and members of the Savings Groups visited who were aware about the changing weather pattern and some had taken measures such as tree planting to counter its effects.

Main issues

RUFEP may consider ways of incorporating this parameter in its M&E System, and ensure that required data capture is done by its IPs. This may require revising Partnership Agreements to accommodate this requirement and actual data may be obtained from programmes directly executing interventions on Adaptation to Climate Change or secure services of experts on the subject.

b. Sustainability and Scaling up

Institutions and Policy Engagement	Rating: 6	Previous rating: 4
---	------------------	---------------------------

Justification of rating

RUFEP has established strong working relationships with two key stakeholders (MoF and BoZ) that are responsible for enacting and executing enabling laws and regulations. RUFEP supported the development and the launch of the National Financial Sector Development Policy, the National Finance Inclusion Strategy, and chairs implementation of activities under Rural and Agricultural Finance. RUFEP will also play an instrumental role in the review of the Rural Finance Policy. RUFEP has played the main role in the creation of RFU, SaveNet and resuscitating of AMIZ. RUFEP is also supporting DBZ to develop new product policies including Gender Policy for its smallholder clientele, and is currently supporting CPCC to develop guidelines on Financial Consumer Protection.

Partnership-building	Rating: 5
-----------------------------	------------------

Justification of rating

RUFEP has established direct partnerships with development partners such as FSDZ and through work done with BoZ, and has partnerships with both government and NGO institutions. Some of the SPs (5) and all IPs (11) are independent private institutions or registered NGOs, and they make significant contributions to RUFEP work through matching grant contributions, and undertake actual implementation of the RUFEP work plan. Through SaveNet, RUFEP provides support to about 29 NGOs. The partners that met with the Mission provided positive feedback on how RUFEP has not only focused on funding, but also knowledge sharing and capacity building.

Human and Social Capital and Empowerment	Rating: 4	Previous rating: 4
---	------------------	---------------------------

Justification of rating

Through it partners RUFEP has: empowered beneficiaries through capacity building of CBFIs (538 and 123 additional ones; under Window 1 capacitated CBFIs in creating innovative linkages to formal financial institutions/services; through closer monitoring, reporting and documentation of lessons learnt of IP operations, greatly increased its influence in ensuring that communities have gained greater bargaining power and control of their economic activities.

Main issues

RUFEP's oversight of IPs needs to be strengthened. Some IPs still need to improve their capacity to implement its interventions effectively and efficiently.

Quality of Beneficiary Participation	Rating: 5	Previous rating: 4
---	------------------	---------------------------

Justification of rating

RUFEP has: adopted an inclusive and participatory approach in dealing with its beneficiaries as demonstrated by 4 Savings Groups visited in Petauke and Chipata districts during discussions with the Mission. They highlighted the benefits from participating in RUFEP interventions, challenges faced and how they aspire to move forward. They reported that through training received, they learnt about group dynamics, transparency and accountability, leadership, inclusiveness; participation. The Mission observed a training of members through role play; adherence to group's code of conduct. The interventions have led to the establishment of platforms and processes for documenting and addressing beneficiary needs.

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

Justification of rating

Initial response by SPs such as DBZ, BoZ, AMIZ and SaveNet has been constrained by delays in signing Partnership Agreements and slow execution of RUFEP supported interventions after signing the Agreement; the pace of SP increased exponentially after signing the Agreements as happened with BoZ, SaveNet and CPCC; some SPs, e.g. DBZ and AMIZ need targeted support by RUFEP to enable them increase their pace of implementation. In regard to some IPs their initial response was partly constrained inadequate capacity as evidenced by the time it took to develop and present grant proposals.

Main issues

Delays in signing Partnership Agreements and in some cases in the implementation of planned activities.

Environment and Natural Resource Management	Rating: 4	Previous rating: 4
--	------------------	---------------------------

Justification of rating

RUFEP encourages all IPs address the subject by describing how they will manage the environment and natural resources sustainably in their proposals; as an incentive, RUFEP through IOF offers smart grants to partners who promote a green economy in their interventions; and through its website and newsletters, RUFEP shares knowledge on the subject particularly with other IFAD supported programmes.

Main issues

The need to ensure IPs practice what is described in their proposals.

Exit Strategy	Rating:	Previous rating: 4
----------------------	----------------	---------------------------

Main issues

Not Applicable

Potential for Scaling-up	Rating:	Previous rating: 4
---------------------------------	----------------	---------------------------

Main issues

Documentation of lessons.

c. Project Management

Quality of Project Management	Rating: 5	Previous rating: 4
--------------------------------------	------------------	---------------------------

Justification of rating

The PCO has achieved a good performance despite the initial delay. They have been able to develop and put systems in place that have helped fast track activities, and has managed to identify and form strong partnerships. RUFEP has positioned itself as a key and recognized financial sector facilitator, and has played a key role in coordinating activities implemented by various SPs and IPs in different project target areas. The PCO is in the process of developing a communication and knowledge management system for documenting and disseminating good practices and lessons. The team has been responsive Implementation and Support Mission recommendations and closely monitors partner activities in relationship to the annual work plan and budget, and takes corrective action on need basis.

Knowledge Management	Rating: 4	Previous rating: 4
-----------------------------	------------------	---------------------------

Justification of rating

RUFEP currently uses a bi-annual newsletter to share and disseminate knowledge, and also a Website which is yet to fully function as a knowledge bank. The current information contained on the Website mostly features material on some key events on RUFEP. The KM and Communication Strategy, key to providing RUFEP with a useful framework for KM has yet to be completed.

Main issues

There is need to enable beneficiaries access to the website or broaden the circulation of its bi-Annual Newsletter. Also, there is need for more relevant information, particularly from the field, necessary for stimulating debate/discussions on RUFEP performance.

Value for Money	Rating: 4
------------------------	------------------

Justification of rating

The Programme has been affected by a low delivery rate during the initial years of implementation; however, the programme's capacity to implement the planned work plans has significantly increased during the last year 2017, thus improving the overall physical and financial performance. In this regard, the programme's success, and its capacity to attain the desired outcomes given the resources available, will mostly depend on the ability of Strategic Partners and grantees to speed up the implementation of key activities. Overall, the review reveals that the programme is being managed with due regard to economy and efficiency and activities implemented in respect of the anticipated budgets.

Main issues

Value for Money Review

The review performed during this supervision show that the programme resources have been generally used in a diligent and efficient manner, despite the drawbacks associated to the low delivery rate in the first years of implementation. Overall, recurrent and operating costs have been kept under adequate control thus reducing the risk of having an unbalance between physical and financial performance.

Coherence between AWPB and Implementation	Rating: 3	Previous rating: 3
--	------------------	---------------------------

Justification of rating

The budget usage has been low due to late start-up, other reasons for the incoherence between AWPB and Implementation include lengthy delays in signing partnership agreements/MOUs, during which time disbursement and execution of planned activities is delayed, as has been the case for SaveNet, AMIZ and RFU whose operationalization took almost 4 years, respectively.

AWPB Inputs and Outputs Review and Implementation Progress

AWPB Review

Of the 193 planned activities for 2017, about 50% were implemented and about the same or less for Quarter 1, 2018, respectively. As a result less than 50% (USD3,055,020 out of USD 6,299, 265 ((48.5%) approved total budget for 2017 and USD 930,000 out of USD2,124,855 for the (44%) 1st Quarter budget based on planned activities) respectively, was executed. To-date, cumulative disbursement since inception is 26.03%, compared with a Rural Finance project disbursement profile in the fourth year of 55%.

Performance of M&E System	Rating: 5	Previous rating: 4
--------------------------------------	------------------	---------------------------

Justification of rating

RUFEP has established a PM&E System for implementation and reporting, and endeavours to ensure that all SPs and IPs have clear understanding of their roles and use tools, approaches and formats for contributing to PM&E requirements. The PCO undertakes frequent quality assurance of reports, and uses programme-wide progress reporting to measure results against set indicators based on the consolidated data and information from IPs and SPs.

M&E System Review

M&E system Review

RUFEP has ensured that responsibility for capturing data and consolidating information can be done by each partner, and has continued to provide support to Partners to strength M&E systems and ensuring that the learning approach is embeded in the reporting. PCO has been monitoring closely the activities of the IPs and SPs. This has supported the results based monitoring and provided a better picture for PCO to provide adequate support. With monthly data exchange occurring with the PME system, the information is also able to be extracted from the database even without conducting a visit and PCO can easily notice which are the problem areas requiring attention.

Requirements of Social, Environmental and Climate Assessment Procedures (SECAP)	Rating: 4
--	------------------

Justification of rating

RUFEP was not subjected to SECAP at design that was approved by IFAD in 2014. However, due to its implementation delays and arrangements, social, environmental, climate adaptation and sustainability considerations shall be treated on a case by case basis, if and when they become evident, in some of its interventions, and depending on the orientation of the IP. One of the IPs (CHAZ) has incorporated some SECAP requirements by mainstreaming social, environmental and climate adaptation sustainability considerations into its interventions.

SECAP Review

SECAP Review

RUFEP has ensured effective stakeholder participation particularly through its IPs and beneficiaries, with respect to upholding SECAP guidelines, for example, promoting agro-forestry to help farmers restore and maintain soil fertility for increased crop yields although during field visits to Petauke and Chipata the Mission learned that much of this knowledge and practice is coming from COMACO and MoA.

d. Financial Management & Execution

Disbursement by financier

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

Acceptable Disbursement Rate	Rating: 3	Previous rating: 2
-------------------------------------	------------------	---------------------------

Justification of rating

Automated rating based on IFAD disbursement data

Fiduciary Aspects

Quality of Financial Management	Rating: 5	Previous rating: 4
--	------------------	---------------------------

Justification of rating

The Mission considers that the organization of FM functions at PCO are adequate to cope with the fiduciary requirements both in terms of roles/personnel employed and the systems in use. The configuration of SAGE Evolution accounting software has been completed and it meets Programmes' needs, in compliance with IFAD requirements.

Main issues

Accounting. *The Mission is pleased to notice that SAGE Evolution accounting software has been set-up and adequately customized to fulfil programme needs and IFAD requirements. The software allows for a readily identification, traceability and reporting on the use of donors' ad GRZ proceeds. The Financial Controller is currently testing the software to ensure that all requirements are effectively met, including the application of First In First Out (FIFO) method and preparation of smart Statement of Expenditures. The software needs a minor improvement to ensure the automated preparation of Interim Financial Reports (IFRs).*

Budgeting. *Budget controls procedures are adequate and ensure: (i) that activities are always planned and executed in line with the estimates made during project design; (ii) that actual expenditures do not overrun the budgetary (and PDR) provisions.*

The Mission is satisfied with the quality of the 2018 AWPB; the document presents detailed tables with cost assumptions and quantities for each budget line. The AWPB also includes a summary training plan, which presents the list of all trainings scheduled for the year. However, the training plan does not present detailed breakdown of costs.

Internal control. *The organization of internal controls under RUFEP is adequate in terms of segregation of duties and authorization process for project expenditures. FM operations are regulated according to MoF rules, as set out in the Financial Manual of RUFEP. In this regard, the Mission noted that some of the section of RUFEP Financial Manual needs to be improved, specifically: (i) flow of funds and management of bank accounts; (ii) internal controls and segregation of duties; (iii) PCO oversight role on strategic partners and grantees; (iv) management of programme cars.*

Supervision and Oversight of SPs and IPs. *The Mission considers that the PCO's oversight of the SPs and IPs needs to be strengthened. In this regard, the PCO needs to (i) establish clear procedures for the oversight of both SPs and IPs, and ensure that financial reports from all SPs and IPs are periodically reviewed, and expenditures' eligibility confirmed (ii) prepare an accurate supervision/oversight plan to ensure that SPs are periodically visited.*

Internal Auditing. *The internal audit arrangements need to be strengthened as they are not yet adequate to the needs of the Programme. RUFEP internal audit services are offered by the Internal Audit (IA) Unit of MoF. Under the current arrangements, internal audit should be carried out semi-annually; however, the frequency of the internal audit is not yet satisfactory. Internal audit has been concluded for the period ending July 2017; however, no official reports have been issued by the IA unit.*

Quality and Timeliness of Audit	Rating: 3	Previous rating: 4
--	------------------	---------------------------

Justification of rating

Automatic rating caused by delay in the audit submission

Counterparts Funds	Rating: 6	Previous rating: 4
---------------------------	------------------	---------------------------

Justification of rating

All funds required under the AWPB 2017 were budgeted for and booked in the Government's "yellow book". Funds are timely made available to RUFEP, based on programme's actual needs. The programme did not request GRZ contribution in the year 2018 as the GRZ funds available in the PA (i.e. USD 158,376 at 31st March 2018) are considered to be sufficient to cover programme's need for the year 2018.

Main issues

As of 31st March 2018, the Programme reported that equivalent of US\$ 0.3 million had been provided by GRZ as counterpart contribution. This amount was deposited into the programme operating account and is being utilized when need arises; the actual expenditures as of 25th May 2018 amount to USD 122,000. The cumulative GRZ contribution represent 11.5% only of the total budget of US\$ 2.61 envisaged in the PDR; while the counterpart funding appears to be

low, this is exclusively due to the low expenditure rate of the project.

Participating Institutions had contributed US\$ 1.2 million which represents 36% of the total expected contribution of US\$ 1.2 million of US\$ 3,298. This performance is expected to further improve as implementation picks up

Compliance with Loan Covenants	Rating: 4	Previous rating: 3
---------------------------------------	------------------	---------------------------

Justification of rating

The Programme has generally been implemented in compliance with the loan covenants; however, 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 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.

Main issues

Covenants of the Schedule III of the Loan Agreement: (4) Financial Statements of Service Providers (SPs). The Borrower shall ensure that the agreement/contract of service with each SP shall specify that the SP will make available to the Borrower, through the PCO, the statements of sources and uses of funds related to Programme activities under their respective responsibility in respect of each Fiscal Year (FY) within two (2) months of the end of each FY. The PCO shall attach such statements of sources and uses of funds to its own financial statement for subsequent submission to the Fund. (5) Audit of Service Providers (SPs). 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.

Procurement

Procurement	Rating: 5	Previous rating: 4
--------------------	------------------	---------------------------

Justification of rating

The procurement processes are compliant with Zambia Public Procurement Authority (ZPPA) and consistent with IFAD's Procurement Guidelines. The Mission further noted that there has been proper documentation of all processes and filing is adequate

Procurement Review

Procurement Review

The review of the procurement processes carried out and found that they are fully compliant with the Zambia Public Procurement Act (ZPPA) and IFAD Procurement Handbook and Guidelines. The procurement plan for goods and services for 2018 for a total cost of US\$426,700 in line with the Annual Work Plan and Budget (AWPB) and has been updated with the comments made by IFAD. There has been proper documentation of processes and the documents have been properly filed. The agreed actions of the last supervision mission have been actioned and the procurement plan and contract register were maintained with actual dates.

e. Additional Aspects

Not Applicable

Not Applicable

Rural Finance Expansion Programme

Logical Framework

Results Hierarchy	Indicators							Means of verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2017)	Cumulative Result (2017)	Cumulative Result % (2017)	Source	Frequency	Responsibility	
Outreach	1.b Estimated corresponding total number of households members										
	Household members										
	1.a Corresponding number of households reached										
	Non-women-headed households				4975	4975					
	Women-headed households				33243	33243					
	1 Persons receiving services promoted or supported by the project										
	Males				6577	4975					
	Total number of persons receiving services										
	Females				31566	33243					
	Goal Improved livelihoods of the rural poor through sustainable economic growth	Increase in household asset ownership							Baseline / impact survey		
Increase											
Households with improved food security							Baseline / impact survey				
Households				30000							
Reduction in the prevalence of child malnutrition rate							Baseline / impact survey				
Percentage				5							

Objective Increased access to and use of sustainable financial services by poor rural men, women and youth	Reduction in the proportion of rural and urban individuals (who rely on own business) who do not have access to financial services							Finscope survey		Absence of external and internal economic shocks. Increased financial resources translate into more profitable on- and off-farm activities.	
	Percentage	0		10							
	People registered and using money transfer services at new rural outlets of banks/FSPs										
	People registered										
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)			Financial products / services offered are relevant to rural households.
	Banks			5	1	1	20.0				
Output 1.1 Improved capacity of macro-level institutions supporting the rural finance sub-sector	Staff of macro-level institutions trained in rural finance related matters							BOZ/MoF			Commitment at macro level to improve the rural finance sub-sector
	Staff										
	Sub-sector coordination meetings and forums organized by RFU							meeting reports			
	Meetings			10							
Output 1.2 Policy/regulatory framework developed that is conducive for financial service delivery in rural area	Laws, policies and regulations for banking/rural finance drafted/reviewed							BOZ/MoF			FSPs willing to explore potential growth in rural areas
	Law documents				1	1					
	Saving and credit groups formed/strengthened (RIMS)							n/a			
	Groups			3300	538	538	16.3				
	People in saving and credit groups formed/strengthened (RIMS)							n/a			
	Females			95000	6974	8408	8.9				
	Males			95000	1522	2818	3.0				

	Saving and credit groups with women in leadership position (RIMS)						n/a				
	Groups with women in leadership position				510	510					
	Financial institutions participating in the project (RIMS)						n/a				
	Financial institutions			5							
	Staff of financial institutions trained (RIMS)						n/a				
	Females			1000	7	14				1.4	
	Males			1000	17	26				2.6	
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			5							
	Value of loans provided to MFIs for agricultural finance						DBZ reports				
	Value			15							
Outcome 2. Improved performance of MFIs and other FSPs	Proportion of FSPs that have improved their portfolio at risk						BOZ; selected MFIs and other FSPs receiving direct support			Improved performance translates into benefits and better service for clients	
	Percentage										
Outcome 3. Improved service delivery by CBFIs	Increase in average value of CBFI savings						SaveNet			Growing demand by members for CBFI services	
	Increase			15							
	Percentage increase in the value of CBFI loan portfolio						SaveNet				
	Percentage			10							
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			20000							
	New CBFIs formed by SaveNet										
	Groups										

Output 3.1 Capacity of MFIs, other FSPs and CBF Promoters strengthened	Staff of MFIs trained (micro-finance best practices)						MFI / FSP / CBF promoter reports			Increased capacity effectively reaches CBFs	
	Staff			300							
	People trained in promoting CBFs (person)						MFI / FSP / CBF promoter reports				
	People			500							
	Savings/credit groups formed/strengthened (RIMS)						MFI / FSP / CBF promoter reports				
	Groups			2500	538	510					20.4
	Saving and credit groups with women in leadership position (RIMS)						MFI / FSP / CBF promoter reports				
	Groups with women in leadership position				510	510					
	People in savings and credit groups formed/strengthened (RIMS)						MFI / FSP / CBF promoter reports				
	Males			18000							
	Females			20000							
	Staff of financial institutions trained (RIMS)						MFI / FSP / CBF promoter reports				
	Females			1000							
	Males			1000							
	1.1.5 Persons in rural areas accessing financial services						MFI / FSP / CBF promoter reports				
	Women in rural areas accessing financial services - credit			20000	5566	5566					27.8
	Men in rural areas accessing financial services - savings			20000	3116	3116					15.6
	Men in rural areas accessing financial services - credit			18000	1132	1132					6.3

	Women in rural areas accessing financial services - savings			18000	7243	7243	40.2				
	Value of gross loan portfolio (RIMS)							MFI / FSP / CBFi promoter reports			
	Value				552	552					
	People trained in financial services (RIMS)							MFI / FSP / CBFi promoter reports			
	Females				852	964					
	Males				678	715					
Outcome 4. New financial products/services/models adopted by the target group	New financial products/services still operational after 3 years							Implementing partner reports			New products / services support growth and outreach of MFIs / other FSPs
	Products/services			10							
	New delivery models still operational after 3 years							Implementing partner reports			
	Models			4							
	Users of new financial products/services							Implementing partner reports			
	Users			20000							
	Users of new financial delivery models							Implementing partner reports			
Users			20000								
Output 4.1 Effectively operating IOF established to test and roll out financial products/services and delivery mechanisms for rural areas and agriculture	Grant proposals received							PCO grant tracking records			Institutions willing and able to pilot and roll out new products / services exist
	Proposals			300							
	Grant proposals approved by window							PCO grant tracking records			
	Proposals			72							
	Time taken to process grant proposals (week) 15 to 19							PCO grant tracking records			
	N/A										
	Value of grant agreements signed by window							PCO grant tracking records			
	Window 3 - ZMW			14							
	Window 1 - ZMW			32							
	Window 2 - ZMW			45							

	Value of matching contributions by window						PCO grant tracking records			
	Window 3 - ZMW			1.35						
	Window 1 - ZMW			3.2						
	Window 2 - ZMW			18						
	Proportion of grant initiatives completed as per the grant agreement						PCO grant tracking records			
	Percentage			70						
Output 4.2 CBFIs strengthened through matching grants and linked to financial services	New CBFIs formed with programme support						CBFI Promoter reports			CBFI promoters effectively support CBFIs and facilitate linkages
	CBFIs			1500						
	Members of new CBFIs formed with programme support						CBFI Promoter reports			
	CBI members			30000						
	Existing CBFIs strengthened with programme support						CBFI Promoter reports			
	CBFIs			7200						
	Members of existing CBFIs strengthened with programme support						CBFI Promoter reports			
	CBFIs members			125000						
	CBFIs that have been linked to FSPs						CBFI Promoter reports			
	CBFI			20						
	CBFIs that have started using at least one new financial product/service						CBFI Promoter reports			
	CBFIs			20						
	Financial institutions participating in the project (RIMS)						CBFI Promoter reports			
	FIs			4						
	1.1.5 Persons in rural areas accessing financial services									
Men in rural areas accessing financial services - savings			900							
Women in rural areas accessing financial services - savings			600							

Output 4.3 Financial products/services and delivery mechanisms established that target rural clients	Service points (e.g. mobile and bank agents) registered and operational						Reports from implementing partners receiving grants			Sustained demand for new financial products / services	
	Service points			850							
	Financial institutions participating in the project (RIMS)						Reports from implementing partners receiving grants				
	FIs										
	Saving and credit groups formed/strengthened (RIMS)						Reports from implementing partners receiving grants				
	Groups			3300							
	People in saving and credit groups formed/strengthened (RIMS)						Reports from implementing partners receiving grants				
	Females			50000							
	Males			50000							
	Saving and credit groups with women in leadership position (RIMS)						Reports from implementing partners receiving grants				
	Groups										
	1.1.5 Persons in rural areas accessing financial services						Reports from implementing partners receiving grants				
	Men in rural areas accessing financial services - savings			50000							
	Women in rural areas accessing financial services - savings			50000							
Output 4.4 Effective dissemination of information to stakeholders and effective management of programme implementation	Stakeholder workshops held for the various stakeholders						PCO records			Capable PCO staff hired and retained	
	Workshops										
	Government officials and staff trained (RIMS)						PCO records				
	Staff			1000	1	6					0.6
	Staff of service providers trained (RIMS)						PCO records				

	Males				5	26				
	Females				5	13				
	Staff			1000						

Zambia

Rural Finance Expansion Programme

Supervision Report

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

Mission Dates: 14-24 May 2018

Document Date: 03/09/2018

Project No. 1100001650

Report No. 4804-ZM

East and Southern Africa Division
Programme Management Department

Appendix 2: Financial: Actual financial performance by financier; by component and disbursements by category

Table 2A: Financial performance by financier (as at 31st March 2018)

Financier	Appraisal (USD '000)	Disbursements (USD '000)	Per cent disbursed
IFAD Loan	8,416	2,607	31%
Spanish Trust Loan	11,988	3,983	33%
Government of Zambia	2,613	300	11%
Beneficiaries	3,298	1,310	40%
Total	26,315	8,200	31%

Table 2B: Financial performance by financier by component (USD '000)

	GRZ			IFAD loan			STF Loan			Beneficiaries			TOTAL		
Component	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
1. Strategic Partnerships	1,743	40	2	4,216	423	10	3,989	253	6	1,138	2	0.2	11,087	719	6
2. Innovation and Outreach Facility	-	6		4,200	939	22	2,690	399	15	2,160	1,190	55	9,050	2,534	28
3. Knowledge and Management Programme Implementation	869	66	8	-	57	-	5,309	2,312	44	-	-	-	6,178	2,435	39
Total	2,613	112	4	8,416	1,419	17	11,988	2,964	25	3,298	1,193	36	26,315	5,688	22

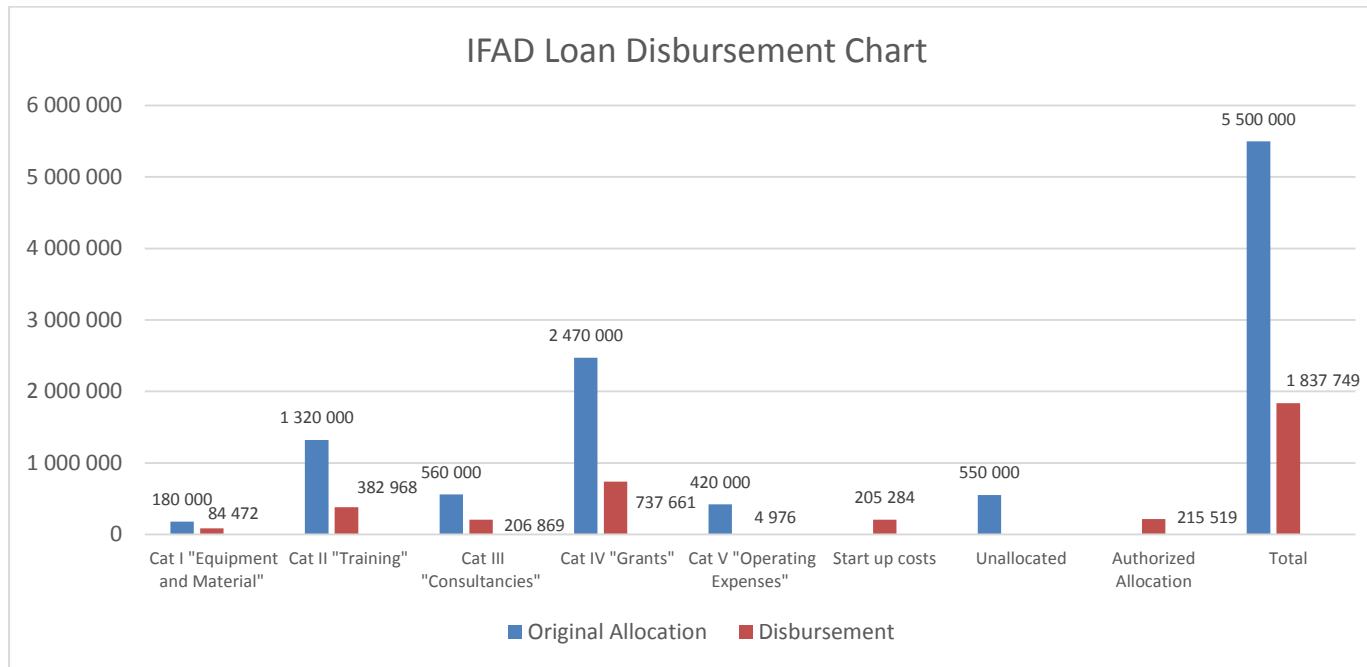
Table 2C: IFAD loan disbursements (SDR, as at (SDR as at 31st March 2018))

Category	Category description	Original Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
I	Cat I "Equipment and Material"	180,000	84,472		95,528	36.94%
II	Cat II "Training"	1,320,000	382,968		937,032	29.01%
III	Cat III "Consultancies"	560,000	206,869		353,131	36.94%
IV	Cat IV "Grants"	2,470,000	737,661		1,732,339	29.86%
V	Cat V "Operating Expenses"	420,000	4,976		415,024	1.18%
	Start-up costs	-	205,284		-205,284	
	Unallocated	550,000	-		550,000	0.00%
	Authorized Allocation	-	215,519		-215,519	0.00%
	Total	5,500,000	1,837,749		3,662,251	33.41%

Table 2D: Spanish Trust Fund disbursements (SDR as at 31st March 2018)

Category	Category description	Original Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
I	Cat I "Equipment and Material"	160,000	254,719		-94,718	159%
II	Cat II "Training"	470,000	232,593		237,406	49.49%
III	Cat III "Consultancies"	3,000,000	384,526		2,615,474	12.82%
IV	Cat IV "Grants"	1,800,000	497,621		1,302,378	27.65%
V	Cat V "Operating Expenses"	2,670,000	1,334,861		1,335,138	50%
	Unallocated	900,000	-		900,000	0.00%
	Authorized Allocation	-	823,421		-823,421	0.00%
	Total	9,000,000	3,527,741		5,472,257	39.20%

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



Zambia

Rural Finance Expansion Programme

Supervision Report

Appendix 2: Physical progress measured against AWP&B

Mission Dates: 14-24 May 2018
Document Date: 03/09/2018
Project No. 1100001650
Report No. 4804-ZM

East and Southern Africa Division
Programme Management Department

Appendix 2: Physical progress measured against AWP&B

	Results	Unit	AWPB	Actual	% of AWPB	Appraisal	Cumulative total	% of appraisal	Sum of actuals of previous years
	Persons in rural areas accessing financial services	Number	40,000	40,719	102	140,000	40,719	29	38,218
		Male	10,000	5,346	53	60,000	5,346	9	5,346
		Female	30,000	35,373	118	80,000	35,373	44	35,373
3. IOF effectively operated to test innovative financial products and delivery mechanisms for the agriculture and rural areas.	Savings and Credit Groups formed/strengthened	Number	774	661	85	2,500	661	26	538
	People in savings and credit groups formed/ strengthened	Female	10,664	9,721	91	18,000	9,721	54	8408
	People in savings and credit groups formed/ strengthened	Male	3,293	2,921	89	15,000	2,921	19	2818
	Savings and Credit Groups with women in leadership position	Number	554	485	88	2,000	510	24	510
	Financial Institutions participating in the Project	Number	7	10	36	36	10	28	9

	Staff of financial Institutions trained	Female	94	2	2	1,000	5	0.2	5
	Staff of financial Institutions trained	Male	94	10	11	1,000	10	1	17
	Voluntary savers	Female	8,000	7,450	93	n.a	7450	7450	7243
	Voluntary savers	Male	3000	1934	64	n.a	3116	3116	3116
	Value of savings	USD	200,000	85,096	43	n.a	85,096	85,096	213369
	Compulsory savers	Number		17,024		n.a	17024	17024	33623
	Active borrowers (disaggregated by gender)	Female	5500	5,433	99	n.a	5433	5566	5566
	Active borrowers (disaggregated by gender)	Male	1200	1,114	93	n.a	1114	1132	1132
	Value of gross loan portfolio	USD	550,000	418,403	76	n.a	552026	552026	552026
	People trained in financial services	Female	1000	1239	124	6,408	1239	19.34	488
	People trained in financial services	Male	700	414	59	4,272	414	9.69	624
Effective dissemination of information and effective programme management	Government officials and staff trained	Number	94	0	-	1,000	0	0	3
	Staff of service providers trained	Number	94	4	4	1,000	4	0.4	37

Zambia

Rural Finance Expansion Programme

Supervision Report

Appendix 3: Compliance with legal covenants: status of implementation

Mission Dates: 14-24 May 2018
Document Date: 03/09/2018
Project No. 1100001650
Report No. 4804-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 withdrawal	to Complied	
(b)	The Programme Steering Committee (PSC) shall have been duly staffed	Precedent withdrawal	to Complied	
(c)	The Programme Coordination Office (PCO) shall have been duly established	Precedent withdrawal	to Complied	
(d)	The Memorandum of Understanding (MoU) between the MoF and BoZ shall have been duly executed	Precedent withdrawal	to Complied	
(e)	The Programme Implementation Manual (PIM) shall have been submitted and approved by the Fund	Precedent withdrawal	to 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 withdrawal	to 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		Not yet due	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		Partially fulfilled	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

	Programme activities under their respective responsibility in respect of each Fiscal Year (FY) within two (2) months of the end of each FY. The PCO shall attach such statements of sources and uses of funds to its own financial statement for subsequent submission to the Fund.			(Strategic Partners and Grantees) or just only to the 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	