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Investing in rural people

Republic of Malawi

Financial Access for Rural Markets,
Smallholders and Enterprise Programme

Addendum

Executive Board — 122nd Session
Rome, 11-12 December 2017

For: Approval

Financial Access for Rural Markets, Smallholders and Enterprise Programme

Addendum

The attention of the Executive Board is drawn to the following addenda and modifications to the President's report on the Financial Access for Rural Markets, Smallholders and Enterprise Programme (EB 2017/122/R.12). For ease of reference, the changes to the text of the report are shown in boldface, while underscore indicates deleted text.

Page iv, Financing summary

Amount of IFAD loan: _____ US\$21.00 million

Amount of IFAD Debt Sustainability Framework grant: _____ US\$21.00 million

Page 2, paragraph 8 should read:

"Component 1: Graduation of ultra-poor households. This component will support ongoing government efforts to develop and deliver effective graduation programmes in rural areas to reduce extreme poverty levels among ultra-poor households – whether or not labour-constrained. The component will be based on the Government's current graduation concept, and will be delivered by competent service providers identified through a competitive process. _____ The National Social Support Programme, under the Ministry of Finance, Economic Planning and Development (MoFEPD) will participate in the programme. _____ The graduation concept adopted by the Government is aligned with the model developed by the Bangladesh Rural Advancement Committee, which has been universally tested jointly by the Consultative Group to Assist the Poor and the Ford Foundation. This model basically has four steps targeting consumption support, savings, technical skills transfer and asset transfer. IFAD support will only be applied in graduation stages 2 through 5, while the Government and its other partners _____ will support stage 1, which involves cash transfers to support consumption. _____"

Page 6, paragraph 24 should read:

"The programme will prepare cash-based _____ financial statements in accordance with International Public Sector Accounting Standards. The MoFEPD Central Internal Audit Unit _____ will ensure that its scope of work also covers the programme and that reports are shared with IFAD during normal programme supervision. As is occurring with current IFAD programmes, external audit will be _____ supervised by the _____ Auditor General's Office in accordance with International Standards of Supreme Audit Institutions."

Page 6, paragraph 26 should read:

"_____ The Government will provide counterpart financing for the programme in an amount equivalent to approximately US\$9.6 million, of which approximately US\$3.0 million will be a cash transfer from the Government and the remaining amount in the form of duties and taxes forgone in accordance with the approved AWP/B."

Page 7, paragraph 34

The last two sentences should be deleted and the paragraph should read:

"The FARMSE will be financed by the Government of Malawi, IFAD and private-sector participants. IFAD will finance 73 per cent (US\$42 million) of programme costs, through a loan of US\$21 million (50 per cent) and a grant of an equal amount. The Government will contribute US\$9.6 million (17 per cent), of which US\$3.1 million (5 per cent) will be financed from its Social Cash Transfer Fund and US\$6.5 million (11 per cent) from taxes and duties. The domestic private sector will contribute 11 per cent of total programme costs, or US\$6.1 million, through in kind and cash contributions to subprojects financed through the IOF."

Page 11, paragraph 45

The resolutions should read:

"RESOLVED: that the Fund shall provide a loan on highly concessional terms to the Republic of Malawi in the amount ___ of ___ twenty-one million United States dollars (US\$21,000,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a Debt Sustainability Framework grant to the Republic of Malawi in the amount ___ of ___ twenty-one million United States dollars (US\$21,000,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein."

Appendix II

The logical framework should be replaced with the one on the following pages.

Narrative Summary	Performance Indicators	Baseline	Targets			Means of verification	MoV Frequency	MoV responsibility	Assumptions (A)/ Risks (R)
			Year 1	Midterm	End Programme				
GOAL									
To reduce poverty, improve livelihoods and enhance the resilience of rural households on a sustainable basis.	Reduced prevalence of chronic malnutrition in children under five by at least 15% (RIMS III).	TBD	N/A						
	Improved household assets ownership index by at least 20% (RIMS III).	TBD	N/A						
DEVELOPMENT OBJECTIVE									
Increased access to and use of a range of sustainable financial services by rural households and micro, small, and medium enterprises.	Graduation strategy and systems developed, tested at scale, and approved by GOM.		0	1	1	PMU Progress reports.	Annual	PMU	Stable political and macroeconomic environment. GOM monetary/fiscal policies and macro-economic reforms are conducive to poverty reduction. Commitment of stakeholders (GOM, donors, private sector) to participate in poverty reduction efforts. Absence of political interference into the autonomy financial sector.
	Improved outreach of sustainable rural financial services to rural poor.	TBD	0	167,110	417,774 of which 125,332 will be adult women, and 83,555 will be youth	PMU Progress reports.	Annual	PMU	
OUTCOMES									
Component 1.0 - Ultra-poor graduation model development and testing at scale									
Outcome 1.1 - the capacity of ultra-poor households to graduate from poverty, improve food security and secure livelihood opportunities is improved.	<ul style="list-style-type: none"> At least 80% of targeted household attaining food security. 	N/A	0	6,000	15,000 of which 4500 will be women headed households and 3000 youth headed households	PMU Progress reports with input from GIZ.	Semi-annual.	PMU/GIZ.	Models can be developed to roll out successful graduation at scale (A) Stakeholders cannot agree on graduation model.
Component 2.0 - Support to Financial Innovation and Outreach									
Outcome 2.1 Improved access to structured and sustainable CFBO financial services.	<ul style="list-style-type: none"> Number of retrained CBFO members. Number of increment rural CBFO members. 	0	0	152,223	380,574	PMU progress reports.	Monthly.	PMU/CBFO support organizations service	Sufficient demand from CBFO support organization (A) Client take up (R).

Narrative Summary	Performance Indicators	Baseline	Targets			Means of verification	MoV Frequency	MoV responsibility	Assumptions (A)/ Risks (R)
			Year 1	Midterm	End Programme				
								providers.	
Outcome 2.2 Enhanced capacity of FSPs to deliver demand-driven services in rural areas.	<ul style="list-style-type: none"> Number of incremental rural clients of partner FSPs. 	0	0	11,160	37,200	PMU progress reports.	Annual.	PMU/Facility Manager.	Sufficient demand from FSP with quality proposals (A) Macroeconomic stability (R), client demand (R)
Component 3.0 – Strategic Partnerships, Knowledge Generation, and Policy									
Outcome 3.1 Rural finance sector support organizations capacity and knowledge increased.	<ul style="list-style-type: none"> Number of rural finance support organizations supported with rural inclusive finance good practice knowledge. 	N/A	2	5	10	PMU progress reports.	Annual.	PMU/M&E specialist.	Support organizations effectively support sector (A) Support organizations do not work to maintain balance between guidance and commercial dynamism (R)
OUTPUTS									
Component 1.0									
New graduation model selected for rollout.	<ul style="list-style-type: none"> Number households reached with graduation activities. 		0	6500	15000	PMU/GIZ progress reports.	Quarterly	PMU/M&E specialist.	Models amenable to scaling up (A) Cost of scaling up high (R)
Subcomponent 2.1									
CFBO support organizations expand network of CFBO groups.	<ul style="list-style-type: none"> No of groups restructure & consolidated. No of groups linked to FSPs. Number groups formed. No of value chain groups linked to markets. 		0 0 0	8000 2000 2000 1000	20000 10000 5000 2000	PMU/CBFO support organizations progress reports.	Quarterly	PMU/CBFO support organizations service providers.	Sufficient demand from CBFO support organization (A) Client take up (R)
Subcomponent 2.2									
Designing, innovating, and rolling out demand driven rural financial products/ services for targeted low income households.	<ul style="list-style-type: none"> Introduction of five new/Improved sustainable financial products, services or delivery mechanisms targeting rural beneficiaries. 		0	2	5	Progress reports TSP reports FSP MIS	Quarterly.	PMU/Facility Manager	Sufficient demand from FSP (A) Not enough qualified proposals (R) High quality TA not available (R)
Component 3.0									
Good practice financial inclusion knowledge and operating environment provided.	<ul style="list-style-type: none"> Approved Rural Finance Policy. Number of rural finance awareness/knowledge forums/platforms. 		0 0	 2	1 4	PMU Progress reports. PMU Progress reports.	Quarterly. Quarterly	PMU. PMU	Organizations with key contributions can be identified and have sufficient capacity to undertake assignments (A) Stakeholder unwilling to work cooperatively (R).